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UNITED STATES POSTAL SERVICE
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POSTAL INSPECTION SERVICE

law enforcement report

WINTER 85/86

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The Law Enforcement Report is published quarterly by the Postal Inspection Service in the interest of informing the public of postal crimes. It features primarily mail fraud cases, consent agreements and civil administrative orders, although other postal-related investigations, such as post office burglaries, holdups, mail order pornography and bomb mailings, are featured. Distribution of the Report is made to newspapers, Better Business Bureaus, Chambers of Commerce, consumer organizations, law enforcement agencies, and members of the public involved with direct mail marketing.

For assistance with a postal related problem of a law enforcement nature, a list of Inspection Service field locations appears in the back of the Report.

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CRIME PREVENTION IN THE POSTAL SERVICE

As members of a society based on rule by law, each of us has certain implied responsibilities to prevent crime from occurring. These may run the gamut from simply being observant of our neighbors' property when they are away to a more participatory role in Crime Stoppers or Neighborhood Watch Programs. As a federal law enforcement agency, the Postal Inspection Service also believes it has a responsibility to prevent the U.S. mail from being used to victimize postal customers. Crime prevention within the U.S. Postal Service means that each man, woman or child who uses the mail system has the assurance the security and integrity of the mail will remain intact.

Historically, the U.S. Postal Inspection Service's approach to crime prevention was aggressive investigation once the crime had occurred, then arrest, indictment and conviction of the guilty parties.

Beginning in the early 1970s, however, the Inspection Service set, as an objective, the improvement of the security of the mails, postal facilities and postal employees through a variety of new programs. The Postal Service Security Force was established and today, some fifteen years later, 1894 uniformed Postal Police Officers provide security at over 80 postal facilities. A Burglary Countermeasures Program included the installation of new alarms and improved security containers in post officers. The use of bullet-resistant security counterlines in post offices having large amounts of cash and stamp stock began an equally successful approach toward reducing holdups and improving employee safety and morale. Reinforcement kits to improve the scurity of street collection boxes proved an immediate success in frustrating "hit and run" attacks by criminals. Other preventive measures, such as closed circuit TV (CCTV) and improved fencing and lighting at postal facilities, all contributed greatly to a steady decrease in the incidence of crime directed against the mail, postal facilities, vehicles and employees. The effectiveness of some of these programs in preventing postal burglaries alone is seen in the fact that by FY 1985 they had saved the Postal Service an estimated $20.6 million in potential losses.

In 1980, the Inspection Service took a bold and unique step, one that was completely different from its heretofore investigative role: a Consumer Protection Program, which went beyond the mere distribution of pamphlets, actually told the public how to avoid being defrauded by mail. A second step in the direction of crime prevention was taken when new positions for Postal Inspectors were created to coordinate all security functions.

In the late 1970s and early 1980s, separate prevention programs were developed to combat mail fraud, internal crime, and external crime. Today, there are more than 100 Inspectors with full-time crime prevention assignments.

In June 1984, the Postal Service received an award from the Crime Prevention Coalition as the federal agency which had done the most to promote crime prevention during 1983. In September 1984, the Postal Service issued a crime prevention stamp featuring McGruff, the Crime Dog, with his logo, "Take a Bite Out of Crime." The month of October was officially designated as National Crime Prevention month, and President Reagan displayed his support for crime prevention by sending a letter to all Senior Executive Service employees in the federal government, emphasizing the shared responsibility between citizens and law enforcement to develop fundamental and innovative approaches to reduce crime.

As Crime Prevention Specialists, Postal Inspectors analyze crime trends and make recommendations for changing physical security and operational procedures to prevent criminal activity. For instance, they conduct security surveys, upgrade burglar alarms to state-of-the-art digital communicators, install bullet-resistant counterlines in high crime areas, review designs of new post offices, establish cash management techniques to reduce losses, and conduct "awareness" seminars for employees to educate them in ways to prevent postal crimes.

On a routine basis, Crime Prevention Specialists speak to postal employees, businesses, and consumer organizations, and appear on radio and television to educate the public in crime prevention measures. During 1985, Postal Inspectors made 705 television and 423 radio appearances, conducted 917 newspaper and magazine interviews and appeared before 2,642 organizations. Four hundred and fourteen (414) news releases and publicizing the results of major mail fraud and mail theft investigations were issued.

In 1985, the various nationwide prevention efforts had good results. For example, in one Region a significant prevention campaign was directed at the problem of escalating employee assaults. Good results were achieved in the area where most of the incidents occurred through the development and implementation of an Assault Prevention Program. The program stresses employee and supervisor awareness, identifies problem facilities, and appraises postal

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managers of the scope of the problem. Other efforts include the development and use of assault prevention posters, assault prevention films, and presentations during new employee and supervisor orientation programs. As a result of assault prevention efforts, this area showed a decrease of 25% in physical assaults and a 47% decrease in nonphysical assaults during 1985.

Physical security is another key element in the crime prevention stategy of the Postal Inspection Service. Over the past decade and a half, burglar alarm and security container programs in postal facilities were established. At present, approximately 11,000 postal facilities are equipped with burglar alarm systems, over 230 bullet-resistant screenlines have been installed in high crime areas and more than 29,000 high-security containers are in use. Burglary losses in 1985 were $165,000 compared to $3.2 million in 1970.

During 1985, major efforts were made to solve the problem of raised money orders. This problem is most prevalent in the areas surrounding the state prisons in Mississippi and Indiana as well as Puerto Rico. Prevention efforts include the introduction of a new two-sided solvent-based carbon money order which is currently being used in a 14-state area surrounding the prisons. In addition, the Inspection Service recently recommended adoption of a "Twenty Dollar" limitation stamp for use on all postal money orders purchased for less than that amount in Puerto Rico. Implemented in September 1985 because of the peculiar method by which money orders were being altered there, this preventive measure has effectively eliminated the raised money order problem in Puerto Rico. Although Puerto Rico was designated as one of the areas for the initial distribution of the double sided, solvent carbon money order, low denomination money orders were being purchased for less than $1.00 and subsequently raised by simply adding two zeros to the right of the decimal asterisk. Accounting for nearly 10% of all postal money orders raised nationally in 1985, Puerto Rico issued only one money order which was successfully raised and cashed during the first quarter of the current fiscal year. That one money order was issued for $12.00 and raised to $18.00. Also, a new money order with inherent security features is currently being developed for national distribution in 1987. In addition, a permanent/unwashable ink used in mail processing equipment for cancellation is being developed to prevent previously cancelled stamps from being washed and reused.

In 1985, fraud prevention efforts consisted of increasing public awareness of fraudulent schemes through use of consumer and business brochures, radio and TV, public service announcements, direct mail announcements and news releases. Particular emphasis is now being given to "boiler room" frauds especially when the Collect on Delivery (COD) system is being used as the vehicle of this type of scheme. The promoter generally makes exaggerated claims about his merchandise while the victim pays several hundred dollars to receive a worthless package. To thwart this scam, a profile was made of victim businesses consisting of new firms with 25 employees or less and generally oriented toward merchandise or service. Some 15,000 direct mail pieces were then sent each month warning them of this scheme. Later, a pilot test of the warning about "boiler room" COD frauds was conducted in Birmingham, AL with successful results. In 1984, all small businesses in Birmingham were notified by direct mail about their susceptibility to COD frauds, and in the Spring of 1985, the local post office was contacted to determine the number of COD parcels that were refused as a result of the direct mail piece. Approximately 1,400 parcels averaging $125 each were refused by postal customers after being alerted by the warning notice. In this instance, a potential $175,000 was saved by postal customers. As a result of the success of the Birmingham project, the Inspection Service is currently developing a direct mailing to be sent to small businesses nationwide to warn them of the perils of COD boiler room fraud.

Prior to 1985, internal crimes prevention had received limited attention; however, in 1986, a new campaign with involvement from the postal unions will pay a major role in the Prevention Program. Presently, the number one priority in the Inspection Service and Postal Service is to reduce internal crime. This effort is based on awareness and involvement by all employees with a goal to establish a safe and crime free working environment. To accomplish this goal, efforts are directed toward the orientation of new employees and the education of all employees emphasizing crime prevention and drug abuse, and their effect on individual employees and the work place. Involvement and communication between employee organizations, unions, and postal management is also stressed to develop better and closer working relationships.

The Inspection Service recognizes the need for a complementary investigative and preventive effort to effectively attack and reduce the incidence of crime. The current spotlight is squarely on the resolution of existing problems, prevention of new ones and focusing investigative efforts on quality investigations. It is only through equal emphasis on prevention and investigation that the Inspection Service will achieve maximum effectivess in reducing the incidence of crime against its customers, postal employees, property and, by so doing, ensure the integrity of the mails.

The path to the current Prevention Program has been long and winding. Prevention has evolved from elementary analysis techniques to today's sophisticated alarms and security equipment, computer analysis capability and trend analysis which helps determine priorities. The present challenge is to continue these efforts in building a prevention network that will keep the Postal Service free from criminal abuse.

STATE REPORTS

State reports featured in this publication are representative of a variety of civil and criminal investigations carried out by the Postal Inspection Service and are not all-inclusive of its activities during the quarter.

ALABAMA

BIRMINGHAM—Multiple Charges of Child Pornography: On November 14, 1985, Robert E. Felton, a druggist living in Russellville, AL, was indicted on 55 counts in violation of the Alabama State Code dealing with intent to disseminate child pornography. The indictment and subsequent arrest were the result of a task force investigation conducted by Postal Inspectors, the Alabama State Attorney General's Office, and other state and local investigators.

CALIFORNIA

HOLLYWOOD—Postal Robbers Sentenced: On September 16, 1985, James Henry Lacy and Patrick Howard Heath were sentenced for the May 28, 1985 armed robbery of the Victory Center Station Post Office. Patrick Heath, the get-away driver, received five years in prison and James Lacy was given 25 years in prison for the armed robbery.

HOLLYWOOD—Six Charged with Solicitation Swindle: On December 2, 1985, federal authorities unsealed a 28-count indictment charging six defendants, George Don Gregory, Steven Kaczender, Susan Fenyves, Richard Green, Steven DeBerry and Victor Somogyi, with twenty-eight counts of mail and wire fraud relating to the operation of a telephone sales solicitation organization in West Hollywood, California that used numerous business names including Allied Telemarketing, National Distributors, United Promotions, Associated Industries, Nationwide Marketing and Unique Promotions. The indictment alleged that George Don Gregory was the owner, Steven Kaczender, the office manager, Susan Fenyves, the bookkeeper, and Richard Greene, Steven DeBerry and Victor Somogyi were telephone room managers of a solicitation scheme that bilked about 1.5 million dollars from customers through June 1984. The scheme involved the sale of gift certificates advertising specialty items based on numerous false representations, including that customers would receive one of five "fabulous" prizes worth up to $5,000. Instead, customers, if they paid a handling fee between $59.50 and $72.50, received a battery-run grandfather clock or vaporizer-run steam sauna, worth under $30. The indictment also alleged that Gregory, Kaczender and Fenyves obtained and caused salespersons to use stolen M.C.I. Tele-Communications Corporation access codes when calling potential victim customers. The total loss sustained by M.C.I. was approximately $250,000. (Inspector J. J. Crivelli)

LOS ANGELES—Gang Member Found Guilty: On December 24, 1985, Tyrone Morris was found guilty of two counts of armed robbery of a post office. The first robbery occurred on December 19, 1984, at La Tijera Station in Los Angeles, and the second two days later at the Panorama City, CA Post Office. Morris was part of a gang which committed numerous robberies in late 1984, which included seven post offices. During some of these robberies, shots were fired into the ceiling of postal facilities. Three other gang members have already been sentenced. (Inspector T. C. Hall)

LOS ANGELES—Mail Fraud Recidivist Goes Back to Prison: Ronald A. Moore was sentenced on December 11, 1985 to eight years imprisonment and five years probation for swindling his elderly aunt and uncle out of their life savings of $185,000. The judge also ordered Moore to repay the $185,000 to his aunt and uncle. Moore was previously convicted and served one and one-half years in federal prison for his part in a 1975 mail fraud scheme involving the collection of delinquent business accounts in which he pocketed over $100,000. In his latest scheme, Moore operated an investment company known as Diversified Investment Properties, which did business in Pasadena, California, and the cities of San Antonio and Brownsville, Texas. As part of this scheme, Moore promised his aunt and uncle huge returns on their $185,000 investment, which he converted to his personal use.

LOS ANGELES—Seven Charged in Child Pornography Crackdown: Seven men have been indicted by federal grand juries as part of the efforts of a task force on child pornography. The task force, composed of representatives of the U.S. Attorney's Office, the U.S. Customs Service, FBI, the Postal Inspection Service and the Los Angeles Police Department, has been concentrating on prosecuting those who traffick in photographs, videotapes and movies depicting children in sex acts. Among the seven was Raven Slaughter, a Van Nuys rock musician. A separate indictment charged Bert Maxwell Clayton with one count of receiving in the mail a magazine entitled, "Nymphe Lover." David Kenneth Myers was charged in another indictment with two counts of receiving child pornography from the Netherlands. Also indicted were Donald Stephenson, and Nanit Thamaree of Bangkok, Thailand, who were charged with conspiracy and receiving photographs of children engaged in sexual conduct; H. Keith Simpson, charged with transporting child-pornography slides in interstate commerce; and Timothy Dougherty who was charged with receiving child-pornography magazines from the Netherlands. The investigation of Slaughter began as the result of finding his name on the mailing list of a convicted child-pornography dealer. Using a fictitious name, a Postal Inspector sent Slaughter a questionnaire asking about his tastes in pornography. Slaughter responded that he was interested in heterosexual sex with preteens. He corresponded with the undercover agent, offering to trade items in his collection, which he said he had been amassing for several years.

LOS ANGELES—Couple Charged with Boiler Room Operation: On November 28, 1985 a federal grand jury returned an indictment charging Leslie and Judith Burke with 14 counts of mail fraud. In January 1985, the Burkes allegedly established two telephone sales "boiler rooms" in Hollywood, California, known as Earth Enterprises, Inc. and Reader's Clearinghouse, Inc., which also used the name American Marketing. The indictment charged that salesmen would contact prospective customers by telephone throughout the United States and offer "executive" pen and pencil sets for $499. The prospective customer was also told that he or she was guaranteed to receive one of three expensive gifts including $5,000 cash, a Hobie Cat sailboat, or a 1985 Lincoln Continental Mark VII, and that the $499 was to offset the winner's gift tax obligation. When the pen and pencil sets were delivered COD by the Postal Service, however, the customer after paying, would find that the merchandise was worth much less than originally represented. Ultimately, the "expensive" gift was never sent. Earth Enterprises and Reader's Clearinghouse ceased business in September 1985. While in business, they mailed approximately 4,200 COD parcels to customers costing $499 each. Total sales were estimated to exceed one million dollars. (Inspector A. L. Ward)

LOS ANGELES—Land Fraud Nets Three Con Men (Reference Summer 1985 Report): Sidney Binder of Newport Beach and Daniel Leffler of Mission Viejo, CA, were convicted November 20, 1985, of mail fraud following a three-week jury trial. Binder, Leffler and a codefendant, Harry Stone, were indicted on June 6, 1985, in connection with the operation of their Newport Beach, CA, based Questar Company. Stone previously entered a guilty plea and testified for the Government during the trial. The jury found that Binder and Leffler sold overvalued and underdeveloped land in the Victorville area of San Bernardino County and in Antelope Valley in northern Los Angeles County. The men also made a number of misleading statements to their victims including: the land could easily be resold in two years for at least twice its purchase price; some of the land had water, streets and other utilities; there was more land in the parcel than was actually being sold; and checks for payments could be legally backdated and deducted from the individual's previous year's taxes. (Inspector W. R. Randall)

LOS ANGELES—Two Hollywood Companies Consent on AIDS Misrepresentations: Two Hollywood companies have ceased giving misleading representations that their products affect the AIDS virus. Richard A. Moore, President of T.O.C. Distributors Inc., of West Hollywood, CA, signed a consent order on October 31, 1985. T.O.C. markets and sells a product known as Rub, a sexual lubricant containing Nonoxynol-9. Advertisements for this product urged would-be customers to "help prevent the spread of AIDS" and lauded . . . "the wonderful news about Nonoxynol-9 killing the AIDS virus on contact." In a separate and unrelated case, Jerry Bellenger, President of Male Mail Marketing, Inc., of North Hollywood, CA, signed a similar consent order on October 25, 1985. Bellenger's company marketed and sold the product Conceptrol, also a sexual lubricant. Ad headlines read: "AIDS Breakthrough" and offered scientific research results on Nonoxynol-9, which is contained in Conceptrol. Nonoxynol-9 is commonly used in spermicide-type contraceptives. Earlier this year, the Mariposa Research Foundation of California released study results showing Nonoxynol-9 could kill the AIDS virus in a laboratory environment. In the same release, however, they stated that the formula had not been tested in a human environment. Since discovery of the AIDS virus, numerous attempts have been made to market and sell products claiming to reduce or eliminate possible contraction of this disease. Recently, a Redondo Beach company introduced the Reticulo-Endothelial vaccine, or REV Treatment. This treatment included the use of body parts from deceased accident victims to form a vaccine which was said to strengthen the body's immune system. REV signed a consent order in late 1983 to discontinue misleading representations. With the signing of these consent orders, these companies agreed to cease misleading advertisements of the subject products. Additionally, they agreed to advise all past and future customers responding to the questionable ads that Nonoxynol-9 has not been proven to prevent AIDS in human studies. (Inspector R. A. Cook)

LOS ANGELES—Hoax Bomber Sentenced: On October 17, 1985, Duane L. Mumford was convicted on one count of Title 18, United States Code, Section 876, Mailing a Threat to Injure. Mumford was immediately sentenced to five years in prison and a psychological study. The judge stated he felt the evidence showed Mumford to be a danger to himself and to others. The threatening communication (hoax bomb) was mailed on or about February 10, 1985 and consisted of a cut-and-paste letter which read, "Bang, your dead man," and accompanied a simulated military style hand grenade. The device was mailed to Mumford's supervisor at Western Security in Garden Grove, CA. (Inspector T. C. Hall)

LOS ANGELES—Seven Charged With Swindling Insurance Company: On September 27, 1985, a federal grand jury returned a 16-count indictment charging Lolita McFarland, Fareed T. Muwwakkil, Mary Muwwakkil, Michael Garrett, Maurice A. Bennett, Harriel Bennett, and Kenneth Williams with violations of the Mail Fraud Statute for carrying out a scheme designed to victimize the Prudential Insurance Company by staging an automobile accident. Following a three-car accident, which reportedly occurred September 21, 1983, investigators for Prudential concluded the insured, Lolita McFarland, was at fault. Everyone involved claimed to be injured and, with the exception of Mrs. McFarland, sought medical treatment. Through their attorneys, bodily claims totaling $58,000 were filed by the six occupants of the other two cars. For her injuries, Mrs. McFarland, the only person with an auto liability policy in force, took two aspirin and used heat on her neck. All seven furnished statements that they did not know the people in the other car prior to the accident. Subsequent investigation by insurance investigators and Postal Inspectors revealed that Fareed Muwwakkil, Michael Garrett, Harriel Bennett and Kenneth Williams are Mrs. McFarland's sons; that Mary Muwwakkil is her daughter-in-law and Maurice Bennett is her grandson. Subsequently, the bodily injury claims were denied. In a similar case, Fareed Muwwakkil and two others, Gregory Benson and Vida Benson pleaded guilty and were sentenced in September 1985 on earlier mail fraud charges related to staged accidents. Gregory Benson was sentenced to four years in prison, followed by five years probation. Vida Benson was sentenced to six months imprisonment, followed by three years probation. (Inspector N. W. Helmer)

LOS ANGELES—Nine Managers of Nationwide Boiler Room Scheme Indicted: A federal grand jury returned a 50-count indictment on September 9, 1985, charging nine people with mail fraud for their roles in a nationwide office supply "boiler room" scheme. The nine are: Paul Gregory Powell, Karen Powell, Patrick Hoyt Veber, Douglas Wayne Cain, Barry Silverman, and Rebecca Lynn Lashmett, all of San Diego, and Jeffrey J. Prager, Krista Rose Maxwell and Brian Harold Jones, all of Phoenix, Arizona. The indictment charged that the defendants were managers and assistant managers at the San Diego and Phoenix satellite sales offices of Park Distributing, Inc., a Los Angeles based office supply telemarketing scheme. The indictment alleged that the managers trained sales personnel to phone businesses at random throughout the United States and use a deceptive sales pitch to give the false impression that Park Distributing was affiliated with that business' regular supplier of photocopier products. The victim businesses were told that they had been overlooked when notification of a recent price increase went out and, therefore, as a "courtesy," supplies had been processed at the "old price" to cover the business "one last time." These fraudulent pretenses and misrepresentations induced numerous businesses to place an order. Only later did they discover, often after paying, that Park Distributing was not affiliated with their regular supplier; that price increases had not occurred; that the supplies eventually shipped were not the brand or quantity expected; that the price was not a discount; and that invoices were further inflated with unexpected and unidentified charges. Last year, more than 100 Postal Inspectors, aided by local and state law enforcement officers, simultaneously executed seven search warrants in three states, seizing records and evidence from various Park Distributing offices. Park Distributing has operated under about 30 different names including Data Supply, General Data National Supply Center, Copy Distribution Center, Pacific Beach Distributing, and National Supply Systems. Prosecutions such as this one by the Boiler Room Task Force of the United States Attorney's Office are targeting a primary area of fraudulent activity in Southern California-deceptive sales of office supplies. Victims include private citizens, small and large businesses, and legitimate suppliers of office products. Individual losses range from approximately $200 to more than $1,000, but the multitude of phone solicitors and the large number of victims nationwide through the use of telephones and the mails, generate huge losses. The estimated loss to the public each year from office supply fraud exceeds one hundred million dollars.

LOS ANGELES—First Efforts of Child Pornography Task Force: On September 11, 1985, U.S. Attorney Robert C. Bonner announced the formation of a Child Pornography Task Force, comprised of members of his staff, Postal Inspectors and other federal and local law enforcement agencies in the Central District of California. The U.S. Attorney also announced two indictments returned and two informations filed on four individuals for violations of Title 18, USC, Sections 1461 and 2252:

a. A three-count indictment charged Leland Ernest Stevenson, Jr., with the interstate transportation and distribution of child pornography, i.e., visual depictions of minors engaged in sexually explicit conduct.

b . A seven-count indictment alleged Robert E. Lee used, induced, and coerced a minor child to engage in sexually explicit conduct for the purpose of producing a visual depiction, and that the defendant mailed, and received through the mail, visual depictions of minor children engaged in sexually explicit conduct.

c . A two-count information charged Manuel Flores with the harboring of an unlawfully imported minor alien for immoral purposes and mailing film depicting a minor female in a sexually explicit pose.

d . A two-count information charged Grady F. Paine with mailing and receiving in the mail, depictions of minor children engaged in sexually explicit conduct.

The indictments and informations are the result of an investigation conducted by the recently-formed Task Force on Child Pornography which consists of representatives from the United States Attorney's Office, the Federal Bureau of Investigation, the Postal Inspection Service, the United States Customs Service, and the Sexually Exploited Children's Unit of the Los Angeles Police Department. The investigation was also assisted by deputies from the Orange County Sheriff's Department.

OAKLAND—Timeshare Operators Guilty: On December 20, 1985, Vacation Exchange International, Inc. and three of its operators were convicted on charges of mail fraud. The jury spent two days in deliberation following a seven week trial. In addition to the jury's determination of the firm's guilt on 37 counts, the owner, Robert Scott Alprin was found guilty on 50 counts and salespeople Keith L. Crispin and Katherine Elizabeth Caldeira were convicted on 23 and 3 counts, respectively. The defendants were indicted in April 1985 for a scheme to defraud timeshare owners who were solicited through the mail and by telephone to resell their timeshare intervals. An investigation disclosed the payment of advance fees ranging from $195 to over $600 collected from approximately 2,400 timeshare owners who listed their timeshares for resale with Vacation Exchange International during 1984 while the company was located at South Lake Tahoe, CA. The company's operators sold only four of the listed timeshares during 1984 but collected more than $630,000 for their efforts. Of that amount, less than $7,800 was spent on the promised advertising and marketing of the timeshares. The company moved its operation to Denver, CO in January 1985, and continued to do business from that location since then. Their advertising was often placed in the *Timeshare Marketplace,* a publication printed and mailed by Vacation Exchange International.

SACRAMENTO—One of Seven Charged Pleads Guilty to Mail Fraud: On September 17, 1985, in U.S. District Court, Samuel V. Monaco entered guilty pleas to seven counts in three indictments charging him with mail fraud and conspiracy (18 USC, 1341 and 371). Monaco had been indicted with four brothers, one sister and a brother-in-law on March 29 and April 12, 1985. They had operated Golden Plan of California, a mortgage brokerage business which filed for bankruptcy in 1982, and more than 7,000 investors/victims, most of whom were elderly, were defrauded of approximately $20 million. Also, more than $7 million was missing from a trust account when the business closed. Other victims thought their investments were secured with recorded second trust deeds; however, the related properties had been greatly overvalued in the prospectus sent to the victims and these properties were consequently overencumbered far in excess of their true market value. Many of the properties were actually owned by the Monacos or one of their many shell corporations, so in lieu of making payments, new loans were written as the old ones matured.

COLORADO

DENVER—Brothers Guilty in Bomb Plot: On October 2, 1985, Christen David Lepanto was convicted for violation of 18 USC 3 (accessory after the fact). The defendant's brother, Aton Omar Lepanto had pleaded guilty on November 19, 1984, to the August 1984 mailing of a bomb to Vicki Leona Agee, who lived in Morrison, CO. The bomb was sent in a cardboard box addressed to Ms. Agee at her home. She is the Director of the Controlled Adolescent Treatment Center in Denver, CO, which is a school for violent juvenile offenders. On August 17 and August 22, 1984, two additional pipe bombs were found in an alley within two blocks of Aton Lepanto's residence. These incidents were investigated by the Denver Police Department Bomb Squad and similarities in the devices indicated all were prepared by the same person or persons. On August 24, 1984, the Inspection Service Crime Laboratory in Washington, DC, identified a latent fingerprint on a small ceramic tube in the bomb, which was mailed to Mrs. Agee, as belonging to Aton Lepanto. Postal Inspectors and a Denver Police Detective interviewed Christian Lepanto, who stated he lived alone and that he hadn't seen his brother Aton since they had traveled to New York some time before the interview. Surveillance at the brother's apartment, however, identified Aton Lepanto in the parking lot directly behind his brother's apartment. Later, Postal Inspectors observed Christian Lepanto leave the rear entrance of the apartment carrying what appeared to be rolled up carpet, which he placed in a dumpster located in the rear of the apartment building. Inspectors recovered pieces of carpeting from the dumpster and sent them to the laboratory in Washington, DC, for analysis. In November 1984, the laboratory identified pieces of bomb fragments found in the carpet. Christen Lepanto's conviction was based on his attempt to conceal his brother's location and destroy evidence.

CONNECTICUT

BRIDGEPORT—Child Pornography Sentence: On December 19, 1985, Harvey A. Richard of Fairfield, CT, appeared for sentencing in federal district court. Richard had pleaded guilty to one count of a four-count indictment for violation of title 18 USC Section 2252 on November 12, 1985. Richard, using the name Harvey Allen, sold child pornography via the U.S. mails on four occasions. At the sentencing, Richard received three months confinement in a federal penitentiary and five years probation. He was also fined $5,000.

DELAWARE

WILMINGTON—Owner and Company Charged with Kickback Scheme: A federal grand jury returned an 11 count indictment on November 13, 1985, against Steve M. Scott, and his company, U.S. Metals, Inc., of Houston, TX, involving an alleged kickback scheme which victimized the Benjamin F. Shaw Company of Wilmington, DE. In the indictment, Scott was charged with three counts of mail fraud, four counts of interstate transportation of stolen property, and four counts of perjury. The indictment alleged that Scott defrauded the Benjamin F. Shaw Company by paying kickbacks to W. Robert Short, the former purchasing manager of the Shaw Company, in return for directing business to U.S. Metals, Inc. U.S. Metals, a pipe fabricating company, allegedly charged the Shaw Company inflated prices for materials, and used the excess funds to pay Short $64,932 in kickbacks through WRS Limited, Inc., a dummy corporation set up to receive these funds. The indictment specifically alleged that Scott knowingly mailed checks drawn on the account of U.S. Metals, Inc., in the amounts of $9,100, $11,000, $16,234, and $24,440, all of which were payable to Short's dummy company. The indictment further charged that Scott knowingly made false statements before a federal grand jury on April 9, 1985, concerning the kickback scheme. This investigation was conducted jointly by the Postal Inspection Service and the Federal Bureau of Investigation.

DISTRICT OF COLUMBIA

WASHINGTON: Mail theft Charged: Between January and August 1985, 18 Postal Service jeeps were broken into and an estimated 500 U.S. Treasury, Public Assistance, and company checks, valued at approximately $125,000 were stolen. Each theft was identical, in that the same window was broken after the letter carriers were making deliveries. Negotiation of stolen checks was accomplished by at least six people using intricate split deposit schemes, stolen account information, and by opening fraudulent bank accounts. When Jerome L. Johnson emerged from a northwest-side row house, he didn't know that he had been identified as the man responsible for the thefts and that the old, yellow Volkswagon he had used finally had been located. His early morning stroll was cut short as he approached the car and was placed under arrest. On September 5, 1985, Johnson was indicted on 24 counts of possessing stolen checks. Subsequently, he failed to appear for arraignment and a federal arrest warrant was issued. On October 1, 1985, Johnson was arrested by Maryland Police as he fled a bank following an aborted attempt to cash a stolen check. While incarcerated in a Maryland detention center, Johnson learned that his true identity had been discovered whereupon he escaped, only to be recaptured within an hour. (Inspector R. M. Fazil)

WASHINGTON—Attorney Pleads Guilty to Embezzling Client Funds: On September 5, 1985, Robert J. Sher, formerly a partner in the law firm of Pickett, Houlon and Berman of suburban Washington, DC, pleaded guilty to a two count information charging him with mail fraud in U.S. District Court for the District of Maryland. Sher obtained more than $300,000 from a scheme in which he embezzled client settlement checks from insurance companies, issued checks on the firm's escrow account to pay personal debts, and received funds from clients after misrepresenting the use to be made of such funds.

WASHINGTON—Investment Company President Charged: A federal grand jury returned an 11-count indictment on October 17, 1985 charging Joyce Gowie-Gamble, the 36-year-old president of National Investment and Retirement Accounts, Inc. (NIRA), a Washington, DC investment management company, with mail fraud and interstate transportation of monies taken by fraud. The indictment charged that Gowie-Gamble defrauded the approximately 55 clients, who invested with NIRA, by failing to invest any of their money. Gowie-Gamble allegedly spent the approximately $260,000 that clients had deposited with NIRA for company operating expenses and for her personal expenses. The majority of the client accounts NIRA was supposedly to manage included individual retirement accounts, uniform gifts to minors, as well as a few general investments. The indictment also alleged that while Gowie-Gamble induced clients to deposit money with the company by guaranteeing a 15 percent return on their investment dollars and claiming that the company was investing in secured transactions, no such investments were made. (Inspector F. Kormann)

FLORIDA

FT. LAUDERDALE—Boiler Room Operators Sentenced: W. Ed Herder of Miami Beach, FL, was sentenced November 14, 1985, to serve 20 years in prison for operating a mail fraud scheme. He must also pay $17,000 in fines, and upon release from prison, will serve five years probation. Co-defendant Leander Max Small, of Miami, FL, was sentenced to serve five years in prison followed by five years probation and a $17,000 fine. A special condition of probation for both defendants will be that they not engage in mail order related businesses. Both men had been convicted on September 25, 1985, on 18 counts of mail fraud for operating companies known as United States Testing Authority and American Testing Institute, both in Miami. The companies mailed out solicitations which advised recipients they had been computer selected to participate in an important television viewing survey and had already been awarded a gift, valued between $260 and $2,000. Participants were instructed to remit $14.80 to cover shipping, handling, prcessing, etc. The gift most commonly awarded in the scheme was membership in the defendants' own film club, which gave "free" film for each roll processed. Only eleven gifts other than the film club were awarded, and even these were the cheaper gifts, such as watches and Oster Kitchen Centers. Thousands of participants received nothing. Evidence at the trial showed there were at least 225,000 victims of the scheme, which grossed 3.3 million dollars in just a seven-month period during 1982-1983. Herder had a profit of 1.6 million dollars from the scheme and Lee Small $180,000. This case took 21 months to come to trial and during that time, the Postal Service Law Department filed civil administrative complaints seeking mail stop orders against National Testing Authority, Network Testing Authority, Federal Testing Authority, TV Testing Authority and United States Bureau, all of which were opertions of W. Ed Herder. Twenty minutes after the guilty verdict in the trial, Postal Inspectors learned that another television survey company operated by Herder had surfaced at yet another Miami address. This latest company was called American Testing Bureau. (Inspector J. K. Groome)

MIAMI—Two Guilty of Oil & Gas Scheme: Robert Hogan and his accomplice, Clay Hulsh, aka Clay Hamilton, pleaded guilty on November 15, 1985, to one count each of conspiracy to commit mail fraud (18 USC 371). Additionally, Hogan pleaded guilty to one count of mail fraud (18 USC 1341). From February 1982 through March 1984, Hogan and Hulsh, doing business as Kimberly Land and Minerals Corp., operated a scheme to defraud the public by selling advice on the U.S. Government Oil & Gas Lottery and by making fraudulent claims to lure investors into paying inflated prices for this service. In the latter stages of the scheme, investors were sold portions of leases taken from tracts not known to have mineral producing capabilities, while being fraudulently assured the leases were potentially valuable. Public loss in the scheme was over one million dollars. (Inspectors W. J. Heikes and R. M. Williams)

TAMPA—Teachers Guilty of Pornography Charges: Richard Norgrove, his wife, Alicia Norgrove, and Donald Munafo, schoolteachers at the 16th Street Middle School in Pinellas County, FL. along with Karen Schuppert, a Pinellas County prostitute, were indicted by a federal grand jury at Tampa, FL, on April 3, 1985, for conspiracy, production of child pornography, mailing of child pornography, and mailing of obscenity. Norgrove and his wife pleaded guilty on August 30, 1985, to one count of conspiracy from the indictment. Karen Schuppert pleaded guilty to one count of inducing a minor to engage in sexually explicit activity with the knowledge and intent that it would be sent through the U.S. Mail. From October 1984 through December 1984, Richard Norgrove took sexually explicit photographs of a 17 year old female, which were subsequently sent through the U.S. Mail to an undercover Postal Inspector. He was assisted in this operation by his wife and another schoolteacher, Donald Munafo, who was also a professional photographer. The 17 year old was a runaway and told Norgrove that she was over 18 years of age and signed a model release to that effect. Based on this information, U.S. Justice Department and the U.S. Attorney's Office at Tampa filed charges under the Sexual Exploitation Statute, which was enacted in May 1984. After the Norgroves and Schuppert pleaded guilty, Donald Munafo maintained his innocence from the standpoint that he had no criminal intent to photograph a minor and believed she was over 18 when the photographs were taken. After deliberation, the jury found Donald Munafo not guilty as charged in the indictment.

GEORGIA

ATLANTA—Two Guilty for Swindling Utility: On October 16, 1985, D's Construction Company; Floyd Dillard, Jr., President of D's Construction Company; and George C. Greene, Jr., a former Georgia Power Company employee, pleaded guilty to one count of a ten-count indictment. The indictment charged D's Construction Company, Dillard, and Greene with violations of the Mail Fraud Statute and Conspiracy. During 1983, D's Construction was performing construction work for Georgia Power Company at Plant Scherer located in Juliette, GA. During the period, D's Construction Company submitted false records of work performed to the power company for work allegedly performed at Plant Scherer. The false records submitted by D's Construction were approved by George C. Greene, Jr. The estimated loss to Georgia Power Company as a result of this scheme was approximately $45,000.

ATLANTA—Guilty Plea in Tax Refund Fraud: As a result of a joint investigation by IRS agents, U. S. Secret Service agents, Georgia Bureau of Investigation agents, and Postal Inspectors, Jerry D. Patterson appeared in federal district court in the Northern District of Georgia on December 3, 1985, to enter guilty pleas to three felony violations. Patterson, in addition to his regular employment, prepared state and federal tax returns for various individuals in the Chatsworth, GA, area. As part of his scheme, Patterson caused federal and Georgia state tax returns containing false information to be submitted to the U. S. Government and the State of Georgia. In addition, Patterson caused the U. S. Government and State of Georgia to issue tax refund checks to a post office box which he controlled. These checks were then converted to Patterson's personal use. Public loss as a result of Patterson's scheme is approximately $50,000. Patterson pled guilty to two counts of a thirty-five count criminal indictment.

MARIETTA—Couple Off to Prison for Child Pornography: On January 17, 1985, a state search warrant was executed at the home of Kenneth W. Brown by members of the Cobb County Police Department, Postal Inspection Service and the FBI. Brown had been under prior investigation for the mailing of pornographic photos of a young child. He was then arrested on state charges for the sexual exploitation of children. Brown had mailed pictures of an adult woman and a nine-year old girl; subsequent investigation identified the adult female as Sandra Irene Carney and the child as her nine-year old daughter. Sandra Carney was arrested on January 25, 1985, and charged with violation of the Georgia State Code regarding sexual exploitation of children. On August 1, 1985, both defendants entered guilty pleas; subsequently, Kenneth Brown was sentenced to 10 years in prison with five suspended. Sandra Carney was sentenced to five years with two suspended.

ILLINOIS

CHICAGO—Doctor Charged With Insurance Fraud: On December 11, 1985, Dr. Vincent Renzino was charged by a federal grand jury with twenty-two counts of mail fraud. The indictment was the result of a joint investigation conducted by Postal Inspectors, the Internal Affairs Department of the Chicago Police Department and the Insurance Crime Prevention Institute. Renzino, employed for 24 years as a police surgeon, was charged with defrauding both the police and insurance companies. He allegedly falsified medical reports and billings submitted to insurance companies through an attorney by not describing the true medical condition of patients, manufacturing or exaggerating injuries and inflating the number of office visits or treatments. (Inspector T. L. Meyer)

CICERO—Another Child Pornographer Sent to Prison: Thomas C. Peters was sentenced July 31, 1985, to 13 years in jail and pleaded guilty in Cook County Criminal Court to indecent liberties with a child and to twelve counts of manufacturing child pornography. He was indicted on 41 counts of these charges, including aggravated criminal sexual assault and abuse. In correspondence directed to a Postal Inspector, Peters admitted sexually abusing a number of boys. He also furnished child pornography materials and identified the youths whom he had molested.

EAST ST. LOUIS—Pair Charged in Investment Swindles: William R. and Elenora D. Mason were indicted December 3, 1985, on charges of defrauding more than 300 investors of over $6,500,000 through the sale of Southern Illinois Oil Well Securities. The indictment charged the Masons with securities fraud, mail fraud, wire fraud, conspiracy, and selling unregistered securities. According to the grand jury, the Masons sold fractional shares in oil wells to investors at a time when the debts of the now bankrupt Mason Oil Company were excessive and the company lacked money to complete drilling projects already undertaken. The Masons were charged with misrepresenting the production capacities and life expectancies of the wells. The Masons also were alleged to have commingled investor funds among the many different entities which the Masons controlled. As a further part of the scheme, the couple allegedly diverted funds from company accounts to provide themselves various luxury items, including two Rolls Royce automobiles, a Texas ranch, a Palm Springs, CA, estate, a jet aircraft, and a helicopter. The indictment comes as a result of a one year investigation by the Illinois Oil and Gas Fraud Task Force, which includes the Office of the U.S. Attorney for the

Southern District of Illinois, Postal Inspection Service; the Office of the Illinois Secretary of State; and the Federal Bureau of Investigation.

PEORIA—Con-Men of Swindling Elderly (Winter 84/85 Report): Following a week's trial, a federal district court jury found Fermin P. Castillo, d/b/a Castillo-Cooper Limited Partnerships and Midwest Investors Limited Partnerships of Schaumburg, IL, guilty of four counts of mail fraud and one count of conspiracy. Castillo and co-defendant, G. Dean Cooper, who previously pleaded guilty and cooperated in the investigation, sold fraudulent limited partnerships ranging from $12,500 to $15,000 per unit to elderly and retired rural residents in Central and Northern Illinois. They induced victims to liquidate their life savings, insurance policies, and other investments in order to reinvest in partnerships. The misrepresentations included a no-risk investment, tax deferred and the opportunity to double the investment in five years, as well as a 20 percent return per year on the investment. Forty-eight victims were identified with losses exceeding $1,000,000. The money obtained through the fraud scheme was diverted to personal use of Castillo and Cooper. Cooper was sentenced earlier to nine years in prison to be followed by five years probation. He was also ordered to make restitution to the victims of $458,080. On November 1, 1985, Castillo was sentenced to six years in prison, five years probation and ordered to pay restitution of $400,000 to the victims of his scheme. This case was investigated with the assistance of the IRS.

SPRINGFIELD—Business Officers Sentenced (Summer 1984 Report): The two officers of the now defunct Kayport Package Express, Springfield, IL, and Celani, Celani & Associates (CCA) in Sherman Oaks, CA, were sentenced September 6, 1985, to significant terms of imprisonment. Frederick George Celani was sentenced to fifteen years in prison to be followed by five years probation. He was also ordered to pay $202,000 in restitution. Aaron M. Binder was sentenced to ten years in prison and five years probation. He also was ordered to make restitution of $202,000. Both defendants have been in custody since their conviction on July 19, 1985, following a three week jury trial. They were convicted of racketeering, mail fraud, wire fraud, interstate transportation of property obtained by fraud, and conspiracy for their part in a multi-million dollar, nationwide investment and backruptcy fraud.

SPRINGFIELD—All Guilty in Home Improvement Scam: On November 1, 1985, Walter G. Kikos pleaded guilty to one count of mail fraud; one count of transportation of property obtained by fraud, and conspiracy. Kiko's guilty plea related to a fraudulent home improvement scheme in which Kikos was a general manager for the now defunct Central Sales Waterproofing (CSW) of Illinois, Inc., in Decatur, IL. In addition, six additional CSW former employees pleaded guilty on October 28, 1985, to one related State of Illinois deceptive practices charge. Those defendants sentenced were: Lorene E. Lone, Secretary/Treasurer, one year probation and $1,000 fine; Gerald E. Wakefield, Vice President, one year probation, $1,000 fine and $2,600 restitution; Gary C. Phalen, Production Manager, six months government supervision and a $500 fine; David E. Tripp, Salesperson, one year probation, a $500 fine and $1,900 restitution; Michael M. Barger, Salesperson, one year government supervision, a $500 fine and $1,200 restitution; Larry H. Vest, Salesperson, one year probation, a $500 fine and $600 restitution. In all, the owner/operator of CSW, William E. Lone, who pleaded guilty on April 15, 1985, following a 23 count federal indictment, and ten former officers and sales people have been convicted on federal or state violations resulting from the scheme to defraud over 300 Illinois residents.

SPRINGFIELD—Elderly Victimized by Investment Offer: James H. Stufflebeam Agency, was indicted December 9, 1985 by a federal grand jury and charged with 24 counts of mail fraud. The indictment alleged that Stufflebeam sold investments in a non-existent money market fund to 16 senior citizens located throughout Central Illinois. Misrepresentations cited by the indictment included that the victims were to receive a high interest return on their investment; that the investments were similar to an IRA and offered various beneficial tax benefits; and that the investment was insured by the FDIC. Stufflebeam allegedly used the fraudulently obtained funds to speculate in the commodities future markets for his personal investments. The total loss exceeds $70,000.

INDIANA

INDIANAPOLIS—Recidivist Mail Thief Sentenced: On August 23, 1985, James Everett Hunt was sentenced to the maximum of five years in prison after being indicted by a federal grand jury May 22, 1985 on one count of mail theft. Hunt had been released from Westville, IN State Correctional Facility on March 15, 1985, and stole mail from a postal jeep at Indianapolist six days later. He assumed the identity of a deceased person and used this person's identification with fictitious addresses to obtain various state drivers' licenses. Vehicle titles and registrations were obtained using assumed names for vehicles which he switched frequently and used to steal mail. Hunt's arrest on June 24, 1985, was effected by a NCIC "hit" on an assumed name during a routine traffic stop by a Bloomington, IN police officer. Hunt admitted to Postal Inspectors to stealing and negotiating approximately $50,000 in a three month period. Hunt had nine prior felony arrests and convictions for possession of stolen mail, forgery of U.S. Treasury checks, etc., dating back to 1951. (Inspector M. J. Kochy)

IOWA

DES MOINES—Recidivist Pornographer Pleads Guilty: John Zeitts of Ralston, NE entered a plea of guilty to two counts of 18 USC, 2252, as part of an agreement with the U.S. Attorney's Office in Omaha, NE. Two other child pornography counts were dropped. Zeitts was ordered held after he entered the pleas to charges of mailing pornographic material to Gering, NE, and St. Paul, MN, and the judge said he failed to give "clear and convincing evidence" he would not pose a danger to himself or others in the community if allowed to go free on bond. Zeitts was convicted in 1969 in Omaha, NE of molesting an eight year old girl and her six year old sister. He also lured a 15-year old girl away from her family in Savannah, GA, and took her to Missouri where he married her. The marriage eventually was annulled. Zietts was indicted in January 1985 for mailing photos of children involved in "sexually explicit conduct" to Gering, NE; St. Paul, MN; Chicago, IL; and Freeland, MI.

KANSAS

TOPEKA—Cross Country Investigation Ends With Indictment of Twelve: On September 11, 1985, a federal grand jury returned an indictment charging twelve persons with 63 counts of mail fraud and one count of conspiracy. The persons charged in the indictment are: Paul George Stemm of Newport Beach, CA; Frans Jacobus Theron of Palm Springs, CA; Willard Barnes Bass, Jr., of Irvine, CA; Larry Stephen Huff of Canoga Park, CA; Gert Albertus Theron of Mission Viejo, CA; William Field Wagner of Los Angeles, CA; Kristine Ann Gunn of Palm Springs, CA; Christopher Joseph Mancuso of Las Vegas, NV; Charles Allen West of Larkspur, CA; Roland Rocco Nocera of San Rafael, CA; Ronald L. Rakow of Los Angeles, CA; and Terrence James Taylor of Lawrence, KS. The six-month investigation, under the direction of the District of Kansas U.S. Attorney's Office, concluded a joint federal and state task force investigation, composed of the Kansas City Division Postal Inspectors, Kansas Attorney General's Office and Kansas Securities Commissioner's Office. Additional assistance was provided by Postal Inspectors in 17 other cities. Assistance in bringing this investigation to a successful conclusion was also provided by the Lawrence, KS Police Department; Irvine, CA Police Department; Clark County, NV Enforcement Agents for Business Licensing; Attorney General offices in California, Oregon and Nevada; and Officers of INTERPOL. The indictment alleged the defendants sold over 80 million dollars worth of "Activators" to investors and created the Activator Supply Company, Inc., of Nevada; Culture Farms, Inc., of Kansas; Rontel Tele-Marketing Corporation of California; Cleopatra's Secret, Inc., of Nevada; Diversified Labs, Inc., of Kansas; and Kubus Nursery (USA), Inc., of Nevada. Through these corporations, the defendants represented that investors could purchase "Activators" from Activator Supply Company, Inc., in Nevada, to grow cultures for sale to Culture Farms, Inc., in Kansas. Allegedly, substantial profit could be derived from the sale of grown cultures to Culture Farms, Inc. For example, defendants allegedly claimed that for an initial purchase of 10 Activators at a cost of $350, an investor could expect a potential income of $900 because the demand for cultures was extremely high, when in fact the only demand was that created for the product by Cleopatra's Secret, Inc. (later renamed The House of Cleopatra's Secret, Inc.) It was alleged in the indictment that in an effort to make the scheme appear legitimate, the defendants caused an extract to be made from a minute amount of the cultures grown and harvested by investors to be formulated into a cosmetic product. Allegedly, Rontel Tele-Marketing Corporation of California was to advertise the cosmetic products for sale via television. The indictment stated that the defendants concealed material facts from investors, such as:

a. That money obtained from investors was used in a pyramid scheme.
b. That an amount in excess of 90% of all cultures were recycled and repackaged for resale to an ever-increasing number of investors.
c. No commercial market existed for the homegrown cultures other that the market created by the defendants.
d. That the scheme to defraud was a continuation of a similar scheme in South Africa which was brought to the United States by the defendants. Allegedly, the scheme in South Africa resulted in the loss of millions of dollars to investors.
e. The defendants diverted more than 10 million dollars of investors' money to their own benefit.

The defendants also allegedly misrepresented to investors that a limited number of persons would be allowed to purchase Activators, when, in fact, the defendants encouraged the sale of as many Activators as possible.

TOPEKA—Trio Guilty in Rebate Fraud: On October 4, 1985, Marilyn Billinger, the last of three defendants in this case, was sentenced in the District of Kansas after pleading guilty to one count of mail fraud. Billinger was given a two-year suspended sentence and three years of probation. Earlier, Bernadine Hintz and Henrietta Rohleder were sentenced on September 9, 1985, after also pleading guilty to one count of mail fraud. Both women received two years probation and were ordered to pay $4,345 in restitution. The trio was indicted by a federal grand jury on June 19, 1985, and charged with 15 counts of mail fraud. The indictment charged that, beginning in February 1982, and continuing until October 1984, the three women set up and controlled a string of over 100 post office boxes and street addresses for the purpose of obtaining by fraud, manufacturers' rebates which are commonly given for the *bona fide* purchase of products. The women acquired cash registers and equipped them with counterfeit printing dies in order to produce bogus cash register tapes which were used as proofs of purchase. Then, using variations of family names or names of friends or relatives (some of whom acquiesced in the scheme), thousands of fraudulent rebate requests were submitted by mail. The public loss is estimated at $30,000. Assistance in the case was given by the Sheriff's Department of Ellis County, KS. (Inspector R. P. Ruhland)

KENTUCKY

PIKEVILLE—Couple Pleads Guilty in Obscenity Case: On June 20, 1985, John Brent Elswick and his wife, Loretta Sue Elswick, pled guilty to a one count felony information charging them with violation of Title 18, Section 1461, United States Code. They were charged with mailing obscene, lewd, indecent, filthy photographs of explicit sexual activity between adult females and animals. On July 23, 1985, the U.S. District Judge sentenced the Elswicks to five years in prison. This is the first such adult pornography prosecution in the Eastern District of Kentucky for approximately ten years. (Inspector R. J. Meesig)

LOUISIANA

ALEXANDRIA—Flood Insurance Program Swindled by Duo: On November 19, 1985, Robert C. Wilson was found guilty on four counts of a 15-count indictment. A federal district judge found Wilson guilty of one count conspiracy and three counts of mail fraud, after a two-day trial. Earlier, on

November 6, 1985, J. D. Richarson had pleaded guilty to two counts of the 15-count indictment. The judge accepted Richardson's plea to one count of conspiracy and to one count of false claims against the United States, as part of a plea agreement reached between the U.S. Attorney's Office and Richardson. Both men were charged with conspiring with each other from 1980 to 1981 to defraud the United States of more than $37,000 via the National Flood Insurance Program (NFIP). Richardson obtained flood insurance on hunting camps and trailers located on Glasscock Island in Louisiana and in Mississippi. These camps and trailers were regularly flooded by the Mississippi river, so Richardson filed claims for the damages caused by the floods. Wilson was assigned to adjust Richardson's claims and together, they conspired to make false statements on the claim documents which they submitted via the mails to the NFIP. As a result, the claim documents reported greater damages to Richardson's property than actually was caused by the floods. Richardson and Wilson also reported that all prior flood damage had been repaired when, in fact, it had not. The NFIP, subsequent to its receipt of and reliance on the falsified claim documents, mailed claim settlement checks to Richardson. The false statements were designed to cause the NFIP to pay Richardson more money than he was entitled to on his claims. In return for his assistance, Wilson received several years of free membership in the Glasscock Island Hunting Club (value approximately $4,000), two rifles and a shotgun (value $1,000). This investigation was conducted jointly by the FEMA-OIG and the Postal Inspection Service.

NEW ORLEANS—Guilty Verdict in Credit Card Scam (Reference Fall 1985 Report): William Claude Gaines, aka Nick Galeta and Garry Griffin, was found guilty on 11 counts of mail fraud on October 17, 1985. Gaines had been indicted in August 1985 for his participation in a scheme to defraud people who were interested in obtaining either a Master Card or VISA credit Card. The investigation disclosed over 4,000 applicants mailed over $100,000 in processing fees during the period from the end of May 1985 until July 26, 1985. None of the applicants are known to have received a credit card or a refund from Gaines, who was operating as ANG Ltd./CNY Sales. Since the end of July 1985, mail containing processing fees from applicants for the credit cards continued to arrive daily for delivery to two addresses in the New Orleans area and an address in Houston, TX; however, losses were halted due to the issuance of false representation orders for all three addresses. It is estimated this action prevented the further loss of more than $125,000 involving another 5,000 applicants. Gaines was sentenced on November 20, 1985 to five years in prison and five years of probation after his release. He was also fined $6,550.

NEW ORLEANS—Pool Offshore Case Continues (Reference Fall 1985 Report): Preston J. Leleux was sentenced on October 23, 1985, to five years probation and fined $10,000 for his participation in a scheme in which he received approximately $10,000 for his participation in a scheme in which he received approximately $10,000 from false billings, kickbacks, and bribes. Leleux also was ordered to pay Pool Offshore Company $4,300 in restitution. Leleux had pleaded guilty on September 25, 1985, to a two-count indictment charging him with conspiracy to commit mail fraud and making false statements on his federal income tax returns. Leleux is a former official of Pool Offshore Company in Harvey, LA, a company involved in the servicing and operation of offshore oil rigs.

NEW ORLEANS—More indictments in Pool Offshore Case: On December 13, 1985, a federal grand jury issued five separate indictments as a result of the continuing investigation of vendors and employees of Pool Offshore Company. Patrick C. Richerson, a former vice-president of Pool Offshore and a former owner of Baytron, Inc.; John H. Koppa, a former drilling operations superintendent for Pool Offshore; Travis A. Sepulvado, a former rig superintendent and tool pusher for Pool Offshore; David B. Smith, a former rig superintendent and presently a tool pusher for Pool Offshore; and Leonard M. Cable, Jr., the owner of LOAES, Inc., Oilfield Repair & Specialty, Inc., and Driller's Supply, Inc., all of which were vendors to Pool Offshore were indicted on varying counts of conspiracy, mail fraud and other related charges. The five men were charged with participating in a commercial bribery and kickback scheme which operated from 1979 through 1984. They allegedly conspired and devised a scheme to defraud Pool Offshore Company of money, property, and the honest and faithful services of its employees and to defraud the Government of the United States by impeding and impairing the lawful function of Internal Revenue Service. These five and others allegedly conspired to have vendors to Pool Offshore provide bribes and kickbacks to Pool Offshore employees. According to the indictment, Richerson, Cable, and other vendors were allowed to submit inflated, false, and/or fraudulent invoices to Pool Offshore as a means of reimbursing themselves for the costs of the bribes and kickbacks. Richerson, Sepulvado, and Smith processed and approved the inflated, false, and/or fraudulent invoices to Pool Offshore as a means of reimbursing themselves for the costs of the bribes and kickbacks. Richerson, Sepulvado, and Smith processed and approved the inflated, false, and/or fraudulent invoices. In return, Pool Offshore employees conspired to channel the firms business to those vendors who provided the bribes and kickbacks. Cable, Sepulvado, and Smith also were charged with making false statements on their Federal Income Tax returns by not reporting as income the value of the bribes and kickbacks they received. Cable conspired with Koppa and Sepulvado and others to create false receipts, invoices and bills of sale, to alter and destroy books and records, and to use cash and intermediary persons to disguise the true nature of certain transactions—all of which impeded and impaired the Internal Revenue Service from relying upon complete and accurate books and records in conducting audits for income tax purposes. The indictment further alleged that Smith willfully concealed and failed to report the commission of a felony, the above mentioned mail fraud scheme, to the proper authorities. Koppa was also charged with making material false declarations contrary to his oath during his testimony to the federal grand jury. For their part in the scheme, Richerson allegedly received bribes and kickbacks which were worth more than $100,000 and included cash, a Jeep, a Corvette, and four boats; Koppa received bribes and kickbacks which were worth over $50,000 and included cash, a refrigerator, an air conditioning system, and electronic equipment; Sepulvado received bribes and kickbacks worth in excess of $10,000, which included cash, appliances, electronic equipment, and an outboard motor; and Smith received bribes and kickbacks worth approximately $5,000, which included appliances and an outboard motor. The investigation of this case is being conducted jointly by the Postal Inspection Service and the Internal Revenue Service and has resulted in 12 indictments to date. At least 25 employees of and 15 vendors to Pool Offshore have been identified as participants in the scheme. Pool Offshore lost over $4 million as a result of this scheme. The investigation is continuing, and further indictments are expected.

MASSACHUSETTS

BOSTON—Writer Charged With Child Pornography: On August 23, 1985, Postal Inspectors and U.S. Customs Agents assisted by representatives of the Boston Police Department Sexual Assault Unit and the FBI executed a federal search warrant at the residence of Mark Lawrence subsequent to a controlled delivery of child pornography. The controlled delivery resulted from the arrest of William G. Wayland, d/b/a Sun Images in Ft. Lauderdale, FL. Lawrence was a customer of Wayland's, having done business with him on several occasions between June 1984 and the time of Wayland's arrest in June 1985. During the search of Lawrence's apartment, over 1,000 sexually explicit Polaroid photographs of teenage males were found. Lawrence admitted that he had taken the photos of area youths in his apartments after soliciting them for "modeling" sessions. He was arrested based on additional evidence found at the scene, and was charged with violation of Title 18, U.S. Code Section 2252a(2). Lawrence, a freelance writer, is the son of the late David Lawrence, editor and founder of *U.S. News and World Report*. Lawrence was subsequently indicted on September 5, 1985, by a federal grand jury and was charged with four counts of violating Title 18, USC, Section 2252(a)(2), receiving via the U.S. Mail visual depictions of minors engaging in sexually explicit conduct and one count of Title 18, USC, Section 2251(a), inducing a minor to engage in sexually explicit conduct for the purpose of producing a visual depiction of such conduct, knowing such photograph would be mailed. Lawrence was ordered confined to a psychiatric facility pending trial. On January 24, 1986, Lawrence pleaded guilty to two of the counts in the indictment.

BOSTON—Attorney Guilty of Insurance Fraud: Boston Attorney Jerril J. Krowen was convicted November 25, 1985, on mail fraud charges in connection with a scheme to defraud insurance companies in accident cases. Krowen was found guilty by a jury on all counts of a 15-count mail fraud indictment following a four-week trial. Krowen was charged with having participated from January 1976 to February 1981 in a scheme to use false, inflated and backdated medical bills and reports to exceed the $500 threshold of the Massachusetts no-fault motor vehicle liability statute, thereby permitting him to pursue third party actions on behalf of his clients. The evidence at trial showed that Krowen referred over 400 clients during the years 1976 to 1980 to Dr. Stuart M. Rosenthal, a chiropractor, formerly of Brookline, MA; and Dr. Steven V. Hershenow, an internist, formerly of Chestnut Hill, MA. Both doctors testified that they prepared false bills relating to Krowen's clients showing false, fictitious, and backdated dates of treatment. The doctors also testified that they had an agreement with Krowen to kickback to him 25% of all money received in payment of their medical bills. Both Rosenthal and Hershenow were previously convicted for their roles in this scheme and have served three-year prison sentences.

BOSTON—Attorney Charged With Mail Fraud: A Boston attorney was indicted September 6, 1985, on mail fraud charges in connection with an alleged scheme to submit false and fraudulent bills to insurance companies in motor vehicle accident cases. Robert D. Kaplan, an attorney and resident of Framingham, MA, was charged in the 15 count indictment with participation in a scheme to defraud insurance companies from 1973 until late February 1981. According to the indictment, the scheme consisted essentially of a plan to use false, inflated and backdated medical bills and reports to exceed the $500 threshold of Massachusetts "no-fault" motor vehicle liability insurance statute, thereby permitting Kaplan to pursue negligence claims on behalf of his clients. It also was alleged that Kaplan had a secret kick back arrangement with certain providers in connection with accident cases. The indictment charged that Kaplan referred hundreds of his clients to Drs. Stuart M. Rosenthal, Steven V. Hershenow, Harry Roodin, and Louis Strauss, who prepared false medical bills and reports, showing fictitious and backdated dates of visit and an inflated number of visits. Those bills and reports were then allegedly sent to Kaplan, who in turn, submitted them to insurance companies. The indictment charged, that when the cases settled, Kaplan paid the doctors less than the full amounts of their bills and used bank money orders for the payments. The indictment further alleged Kaplan kept and used for his own purposes a portion of the money received from the insurance companies in payment of the medical bills.

BOSTON—Six Arrested on Child Pornography Charges: Six men were arrested December 10, 1985 after having been indicted by a federal grand jury on charges of sexual exploitation of children. The six men were charged with various violations of the Child Protection Act of 1984, which provides criminal penalties for persons who produce, mail, reproduce, distribute or receive visual depictions of persons under the age of eighteen engaging in sexually explicit conduct. The six individuals and their respective charges are as follows: Mitchell Diamond, who is employed in the recording industry, is charged with six counts of reproducing and two counts of mailing video cassettes depicting children engaging in sexually explicit conduct. The indictment of Diamond also contained a forfeiture count, which alleged that a television, three video cassette recorders and other equipment were used or intended to be used in the commission of the offenses with which Diamond is charged and seeks their forfeiture to the government. Steven Eagle aka "Stan Eagle," is a university lecturer at Harvard University and was charged with two counts of receiving magazines displaying children engaging in sexually explicit conduct. John W. Griffin, who is a corporate comptroller for an office supply company, was charged with five counts of mailing photographs of children engaged in sexually explicit conduct. William J. Holmes aka "Bob Clay" and "C. J. Clay," is employed as a dispatcher and was charged with receiving magazines from the Netherlands containing photographs of children engaged in explicit conduct. Theodore S. Moran, who is an engineer with a defense contracting firm, was charged with mailing two magazines depicting children engaging in sexually explicit conduct. Edward F. Nolan, Jr. is a part-time cleaner and was charged with two counts of sexual exploitation of children. The indictment alleged that he received ten magazines displaying children engaged in sexually explicit conduct, including sadistic and masochistic abuse. The cases were investigated by the Postal Inspection Service and the U.S. Customs Service, with the assistance of the Massachusetts State Police; the local police departments of Belmont, Quincy, Winthrop, Boston, Pembroke and Abington, MA; and the Harvard University Police. The indictments resulted from a cooperative investigative effort undertaken earlier this year designed to combat the exploitation of children, particularly as victims of pornography. This effort by federal, state and local law enforcement officials in Massachusetts was facilitated by recent changes in the federal child pornography laws. In 1984, Congress removed prior statutory requirements that photographs of children be legally "obscene" to be criminally actionable, and that their distribution be for a commercial purpose. The result is that prosecutions brought under the Child Protection Act of 1984 do not face all the same constitutional obstacles and other defenses which can arise in "adult" pornography cases. The 1984 statute also raised the age of majority from 16 to 18 years, thereby bringing more children within the protection of the law.

BOSTON—More Phony Diplomas Charged: On December 17, 1985, three former medical interns at Worcester City Hospital in Worcester, MA were charged in U.S. District Court with mail fraud. Raymond Allard, of Worcester, MA; Barbara Gillon, of Del Ray Beach, FL; and Frank Paiano, a resident of New York City, allegedly devised a scheme whereby they falsely represented themselves as graduates of the School of Medicine at the *Universidad Centro de Estudios Tecnologicos* (CETEC) in Santo Domingo. Paiano and Gillon were charged in felony mail fraud informations after agreeing to waive indictment by a grand jury. Allard was indicted on eight counts of mail fraud. According to the charges, Allard paid $14,000; Paiano $10,000; and Gillon $10,000, to Pedro De Mesones who, through a company named Medical Education Placement, Inc., was selling fraudulent medical degrees to aspiring doctors. On the basis of fraudulent grade transcripts, letters of recommendation and claims of having completed the requisite course of study for degrees, Allard, Paiano and Gillon were accepted as medical interns at Worcester City Hospital where they treated patients from June 1983 through April 1984.

MICHIGAN

DETROIT—Eight Sentenced in Massive Swindle of Blue Cross: Eight business and medical professionals were sentenced November 15, 1985, in federal court, following their convictions on July 2, 1985, for an $11,000,000 mail fraud scheme against Blue Cross/Blue Shield of Michigan. The names of the defendants and their sentences are as follows: Steven S. Lackomar of Warren, Michigan—5 years in prison and a total of $10,000 in fines; Benedetto Maniaci of Sterling Heights, Michigan—5 years in prison and a $10,000 fine; Aurel Lupulescu, M.D., of Southfield, Michigan—4 years in prison and a $5,000 fine; Robert Busse, Chiropractor, of Grosse Pointe, Michigan—3 years in prison and a $5,000 fine; Howard Wolfe, Chiropractor, of Dearborn, Michigan—3 years in prison and a $6,000 fine; George Dey, Chiropractor, of St. Clair Shores, Michigan—18 months in prison and a $5,000 fine; Franklin Failla of Sterling Heights, Michigan—18 months in prison and a $5,000 fine; and Joseph Reed of Troy, Michigan—3 years probation. The court dismissed the charges against a ninth defendant, Janice Reed of St. Clair Shores, Michigan. The charges against the defendants involved a scheme to defraud Blue Cross/Blue Shield of Michigan through fraudulent billings for medical, chiropractic, and laboratory services. The evidence at trial established that persons were enticed to come to five clinics through a system of cash payments ranging from $30 to $50. The five clinics all located in Michigan were as follows: Workers Clinic, 6390 Charlevoix, Detroit; Associated Workers Clinic, 37422 Michigan Avenue, Inkster; Autoworkers Clinic, 16901 James Couzens, Detroit; Workers Clinic of Pontiac, 962 Joslyn, Pontiac; and Greenway Park Clinic, 2429 Welch Boulevard, Flint. Testimony showed that once in the clinic, individuals were subjected to x-rays, blood tests, urinalysis, ultrasounds, EKGs, breath tests, and/or emergency chiropractic treatments which were not necessary. The defendants caused Blue Cross/Blue Shield of Michigan to be billed for such tests upon the false implied pretense that they were necessary. The medical tests were actually done by poorly trained technicians and were not conducted by physicians, or under the supervision and in the presence of a physician, as required by Blue Cross/Blue Shield. The doctors and chiropractors who billed Blue Cross/Blue Shield for services at these clinics returned approximately two-thirds of the gross amount they received from Blue Cross/Blue Shield to LMR Corporation or JR Enterprises, Inc. The laboratories that billed Blue Cross/Blue Shield for blood tests and urinalysis paid over $2 million of the $7 million they received from Blue Cross/Blue Shield back to some of the defendants. Lackomar, Maniaci, Janice Reed, Joseph Reed, and Failla were executives and/or owners of LMR Corporation, JR Enterprises, Inc., and/or Franklin Management, Inc., which owned and operated the five clinics. Lupulescu, Busse, Dey and Wolfe worked at one or more of the clinics at various times between 1980 and the present. The investigation was handled by U.S. Postal Inspectors, with assistance from investigators from Blue Cross/Blue Shield.

DETROIT—Guilty Verdicts in Oil/Gas Lease Scam (Reference Summer 1985 Report): A federal court jury returned guilty verdicts on November 25, 1985, against Gerald E. Grace, of Grosse Pointe Woods, MI, and Francis John Cogley, Jr., of Dearborn, MI. Grace was found guilty of 17 counts of mail fraud, 23 counts of wire fraud, and six counts of interstate transportation of money taken by fraud. Cogley was found guilty of one count of mail fraud, two counts of wire fraud, and one count of interstate transportation of money taken by fraud. Two other defendants, Thomas M. Divozzo, and Edward S. Hachigian, previously pled guilty to one count of the indictment. The evidence at trial showed that Grace was the manager of a telephone boiler room operation in West Bloomfield, MI, while the other defendants were salesmen. Operating under the name North American Lease Acquisition, Inc., the defendants purported to sell leases of oil and gas rights on federal land in Alaska for $100 per acre. The defendants told customers that the land contained oil and gas, and that oil companies would contact them shortly to buy their leases. Defendants promised that at a minimum, customers would triple their money in a year. In a 2½ month period, 24 people were induced to mail and wire to North American Lease Acquisition over $100,000. In fact, oil and gas rights on the Alaskan land could be purchased directly from the Bureau of Land Management for a $75 application fee, plus $1.00 per acre yearly rent. The oil and gas rights are leased by the government for nominal sums only because the land is believed *not* to contain commercially usable quantities of gas and oil. This investigation was conducted jointly by the Office of Inspector General, Department of the Interior, and the Inspection Service.

MINNESOTA

ST. PAUL—Advance Fee Swindler Guilty: On December 10, 1985, a federal court jury returned guilty verdicts on seven counts of mail fraud violations and related charges against Cheryl K. Hoa, aka Kookie Hoa of Neehan, WI. The case involved an advance fee scheme in which approximately 30 victims were induced to pay the defendant fees exceeding $560,000 for arranging loans and providing collateral for those loans. Hao, operating as "THAT" corporation in St. Paul, represented to her victims she was from an extremely wealthy Chinese family and had control of a vast amount of gold bullion. The collateral she offered was in the form of gold certificates which could never be authenticated, therefore, no loans were ever obtained by the victims. A codefendant in the case, Ronald D. Dougherty, earlier pleaded guilty to one count of mail fraud.

MISSISSIPPI

OXFORD—Five Guilty in Continuing Altered Money Order Investigation: A federal jury on October 8, 1985, found five people guilty of conspiring to alter U.S. Postal Service money orders and smuggle the profits to inmates at the state penitentiary at Parchman, MS. The jury convicted George Allred, an inmate at the prison, on 45 counts of transmitting the altered money orders and on one count of conspiring to transmit the altered money orders. In addition to Allred, those convicted were ex-inmate Eugene Wheeler, guilty of conspiracy and give counts of transmitting altered money orders; ex-inmate Freddie Strauder, guilty of conspiracy and 29 counts of transmitting altered money orders; Jeffie Skelton, guilty of conspiracy and 24 counts of transmitting altered money orders; and Anita Crosby, guilty of conspiracy and three counts of transmitting altered money orders.

NEVADA

LAS VEGAS—Boiler Room Operators Sentenced: On November 14, 1985, Mark Trainer, owner and operator of M&W Specialties, was sentenced to three years imprisonment for conspiracy to commit mail fraud. The Judge also ordered Trainer to make $20,227 in restitution and pay a $3,500 fine. Four other defendants pled guilty to conspiracy; one defendant pled guilty to a misdemeanor and one was placed in a pre-trial diversion program. The other defendants and their sentences are as follows: Victor J. Lockwood pled guilty to one count of conspiracy and was sentenced to three years in prison; to serve six months and make restitution jointly and severally with Trainer. James Cantwell pled guilty to one count of conspiracy and was sentenced to three years imprisonment; to serve three months and make restitution jointly and severally with Trainer and Lockwood and to pay a fine of $2,000. Wilbur Kolberg pled guilty to conspiracy and was sentenced to three years probation and ordered to pay a fine of $1,000. Timothy O'Neill pled guilty to conspiracy and is to be sentenced later. Richard Clark pled guilty to a misdemeanor, was fined $100 and ordered to perform 100 hours of community service. Terry Walters was placed in a pre-trial diversion program. This case has resulted in the most felony convictions in an ad specialty "boiler room" case in Las Vegas to date. In sentencing Trainer, the Judge noted that he intended to be more severe in sentencing future defendants in similar cases that appeared before him, as he recognized the severity of the "boiler room" problem in Las Vegas. A unique feature of the case involved the use of the firm's own complaint files to contact victims and have these victims file claims for restitution with the Department of Parole and Probation. The response rate was over 90% and resulted in the Judge's order that Trainer, Lockwood and Cantwell make restitution of more than $20.000.

NEW JERSEY

CAMDEN—Postal Burglar Gets 20 Years: Roger Wilson was sentenced August 2, 1985 in connection with the burglary of a U.S. Postal Service vehicle on May 9, 1985. Wilson forced open the door of the vehicle and removed an unknown quantity of mail. He was arrested the day of the burglary by Postal Inspectors and detectives of the Camden Police Department. On June 20, 1985, he pleaded guilty to theft in violation of NJ State Criminal Code. Based on his criminal record, which included a murder conviction, he was sentenced to the maximum penalty on the charge. (Inspector F. C. Hannington)

NEWARK—Interagency Task Force Moves on Alleged Planned Bankruptcies: A federal grand jury on December 19, 1985 indicted Alfred Forman of Dix Hills, NY; Howard Palmer of N. Miami Beach, FL; Benjamin Seewald of Coconut Creek, FL; and Reynold di Fazio of New Hampton, NH on 20 counts of conspiracy, mail fraud and interstate transportation of stolen property. These men were principals in the operation of RDF Distributors, Inc. in Fairfield, NJ which ran an alleged planned bankruptcy, commonly known as a bust-out, from June 1980 through June 1981. Creditor loss in this scheme was approximately $2,200,000. In addition, a federal grand jury indictment in Boston, MA unsealed the same day, also charged Alfred Forman, Howard Palmer, Renold di Fazio and one other, E. Thomas Nikitas, with operating another alleged planned bankruptcy, known as Micro Distributors, Inc., in Woburn, MA from Spring 1982 to February 1983. Two other men were indicted in a third grand jury indictment also on December 19, 1985 in Baltimore, MD. Patrick Roberto and Jackson Taunton were charged as principals in the operation of another alleged planned bankruptcy, Atlantic Bargain Center, Inc. which operated in Towson, MD from Spring 1984 to March 1985. These indictments, culminated over 18 months of cooperation and coordination between Postal Inspectors, FBI agents and detectives of the Broward County Florida Sheriff's Department. Valuable assistance was also received from the Fraud Prevention Department of the National Association of Credit Management.

NEW YORK

BROOKLYN—Arrested in Credit Card Scheme: Two Nigerian Nationals were arrested November 15, 1985 and charged with mail fraud in connection with their participation in a scheme to defraud credit card companies, merchants and banks by obtaining fraudulent credit cards. Arrested were: Kehinde Salisu, also known as Ken Salsos, and Olamiji K. Bello, aka Barry Turetsky. Salisu and Bello are believed to be the heads of organized groups who make fraudulent credit card applications based on illegally obtained biographical information necessary to the applications. This information is obtained by members of the group who gained employment as security guards at various office buildings allowing them access to desks and files of individuals employed in the buildings. They also are alleged to have gathered the data while employed in personnel offices where they had access to employee personal history information and while employed as cleaning people having access to unlocked desks and files after working hours. Once the biographical information was obtained, the group made the false applications using the data obtained; however, instead of the unsuspecting individual's actual address, mail drops were used, such as P.O. Boxes or apartments rented specifically for the fraud. Once the credit cards were obtained, the group made numerous purchases for goods and services. The arrests and searches culminated an eight month investigation by the Postal Inspection Service into an organized credit card fraud scheme involving hundreds of fraudulent credit card applications resulting in substantial losses to U.S. banks, credit card companies and merchants. (Inspectors J. Marotta and M. T. Bregelman)

BROOKLYN—Commodity Chief Pleads Guilty: On June 10, 1985, Philip M. Smith, President of Incomco, Inc., was sentenced to six months in jail, five years probation and a $5,000 fine after pleading guilty to a two count information. Incomco was registered with the Commodity Futures Trading Commission (CFTC) as a Future Commission Merchant and accepted orders to buy and sell commodity future contracts on behalf of its customers, who included commodity trading advisors, pool operators and other industry professionals as well as members of the investing public. Under the Commodity Exchange Act, Incomco was required to segregate and separately account for all customer funds (independent of the general account which is used to run the company) which it received to margin or secure customer trade or contracts, or which have accrued to a customer as a result of such trades or contracts. Count one of the information charged that from approximately June 25, 1980, to August 1, 1980, Incomco's segregated account was undersegregated in amounts varying from $289,218 to $2,534,830. Further, on twelve separate occasions, while the customer segregated account was undersegregated, Smith embezzled at least $550,000 from this account. Count two of the information charged Smith with allowing clerical employees of the Commodity Exchange and their member firms to open trading accounts at Incomco in the names of nominees, without recording or disclosing the true identity of the person or persons trading the account for whose benefit it was carried on Incomco's books. This was in violation of CFTC regulations which prohibit clerical employees from buying or selling future contracts, directly or indirectly, for accounts in which they control or in which they have a beneficial interest. (Inspector A. Holmes)

BUFFALO—Child Pornographer Guilty: After the arrest and subsequent indictment of James A. Gantzer, of Middleport, NY, on August 9, 1985, in violation of 18 USC, Section 1461, he was found guilty as charged on October 25, 1985. Gantzer had mailed child pornography photographs to an undercover Postal Inspector, but during the course of the trial, the defendant's attorney argued that his client had been "entrapped" by the undercover Postal Inspector who initiated contact and induced his client. The government established the defendant's intent and predisposition to mail the child pornography through evidence seized from the defendant's home including child pornography and correspondence predating any contact with the undercover Postal Inspector. Also, an expert witness' testimony from a psychiatrist concerning pedophilia established that it is neither an isolated nor momentary interest.

NEW YORK—Court Order Halts Video Promotion: On December 17, 1985, a Cease and Desist Order was issued against Art Berger, who operated White Horse Video, Inc. Berger then paid $10,000 to the Postal Service, the first such payment collected by the Postal Service pursuant to 39 USC, Section 3012. During the past three years, Berger conducted a nationwide mail promotion of video cassettes, under a variety of business names, most notably, White Horse Video and Videomax. The solicitations offered twelve "full color features" for $99.00. Those responding expected to receive twelve full length feature films, but instead were furnished with one video cassette containing twelve excerpts of films. The Cease and Desist Order was based upon a Consent Agreement signed by Berger with the Postal Service. In addition to the $10,000 payment, the agreement requires Berger to discontinue his mail order promotions and provide refunds to those making complaints. His company, White Horse Video, received up to 200 pieces of mail per day. (Inspector L. E. Maxwell)

NEW YORK—Phony Accident Case Ends With Prison Sentences: On October 2, 1985, Norman E. Teitler and his father, Morris Teitler, received prison sentences for their roles in a fraud scheme. Norman Teitler was sentenced to five years suspended, five years probation, a $1,000 fine and $3,000 restitution. The judge also sentenced Jay Teitler, the brother of Norman Teitler, to six months in jail and a $10,000 fine. The Teitlers all profited from a massive insurance fraud scheme involving the filing of false auto-accident claims, bogus lawsuits, and the theft of clients assets.

NEW YORK—Business Executives Guilty (Spring 1985 Report): On the eve of the trial, two former company officers decided to plead guilty on September 3, 1985, to numerous mail, securities and bank fraud, and conspiracy charges for their part in a 14 year scheme to falsify the financial statements and misappropriate assets of Saxon Industries, a former "Fortune 500" manufacturer and distributor of paper products and photocopies. In addition, Stanley Lurie, former Saxon President and Chief Executive Officer, and Alfred Horowitz, former Saxon Vice President-Finance, also agreed to forfeit approximately 40,000 shares of Saxon stock they still owned. The false financial statements included over $53 million in non-existent inventory and other assets, which, after being written off, caused Saxon to report cumulative losses of $298 million after previously showing yearly profits over the period. The two defendants and two other former Saxon officers who pleaded guilty earlier are still awaiting sentencing. The guilty pleas by Lurie and Horowitz all but concluded an extensive three-year investigation into the massive fraud and bankruptcy which required a detailed review and analysis of the workpapers and files of Saxon's independent auditor over a 14-year period. (Inspector R. H. Paschel)

PLATTSBURGH—Churchman Guilty of Child Pornography: On December 6, 1985, the Reverend John J. Fallon pleaded guilty to one count of distributing child pornography through the mail. The plea was accepted in U.S. District Court, NDNY in Utica, NY. Fallon was arrested by Postal Inspectors on September 16, 1985 for receiving sexually explicit photos of a 13 year-old boy through the mail. He later confessed to taking the photos.

SYRACUSE—Fifteen Charged With Dealership Scams: A federal grand jury returned an eight count indictment on January 2, 1986 naming fifteen individuals in a mail fraud scheme involving the sale of energy and security equipment wholesale dealerships. Among those named in the indictment were Thomas Stone and Richard Wiley who operated companies named Advance Technology Systems and Security Control Systems during 1981 to 1983 in Albany, NY. Over 80 victims of the alleged fraud have been identified, and the public loss is estimated at more than $1.5 million. Also named in the indictment was Wiley's wife, Erna Shecter Wiley; his mother, Elizabeth Becht; and his father-in-law Mitchell Shecter.

UTICA—Bikers Charged With Stolen Money Orders: On September 11, 1985, a New York grand jury named Michael James Quale and James Henry McAuley in a 28 count indictment charging them with various violations of the New York State Penal Code including Forgery. Possession of Stolen Instruments, Conspiracy, and predicate felony offenses. McAuley and Quale were arrested by members of the Utica, NY Police Department on March 24, 1985, while attempting to negotiate American Express Travelers Checks, stolen during the armed robbery of Postal Driver Joseph Fazi in Bergen, NY, on April 19, 1984. After their arrest, Postal Inspectors, Utica Police and Oneida County District Attorney's Office conducted an investigation into the pair's activities within the Oneida County area, and located additional travelers checks which allegedly were negotiated by Quale and McAuley. Both Quale and McAuley are members of the Rochester Chapter of the Hells Angels Motorcycle Club and it is anticipated that they will be named in a federal indictment along with other members of the Hells Angels Club and associates.

NORTH CAROLINA

CHARLOTTE—Former Elected Official Guilty of Pornography: Former South Carolina State Representative William N. Clinkscales, Jr. was convicted November 20, 1985, on state charges of child molestation and was sentenced to 50 years in state prison. Clinkscales and accomplice Charles Burgess were investigated for attempting to set up a motion picture company and entice young boys and girls to appear in movies. Burgess was previously sentenced to 25 years in prison.

OHIO

CLEVELAND—Con Men Guilty in Distributorship Scam: After a four week trial, a federal district court jury found Pete Alex of Cleveland and Henry E. Nowak, Jr. of Plano, TX, guilty on December 5, 1985 of sixteen and eleven counts of mail fraud, respectively. The case, which received national attention on 20/20 ABC television, involved the selling of chemical products sold by Pacific Chemicals in return for 18% of the sale. The contract called for a guarantee of 49 customers the first year: $6,500 in chemicals; and if not satisfied, a buy-out provision after one year for the full value of the investment less the shipping of the chemicals. Investors were also told they should expect an income of $15,000-$20,000 with greater earnings in succeeding years. The victims received few if any accounts; only some $2,000 worth of chemicals; there was no honoring of the buy back agreement; and little or no return for their investment. During the life of the scheme, from February 1983 to September 1984, about 350 distributorships were sold by Pacific Chemical Products with a public loss of approximately 2.2 million dollars.

CLEVELAND—Child Pornographer Goes to Jail: On December 10, 1985, Gerald C. Bellis was sentenced to a term of two years in prison. On September 9, 1985, Bellis had pleaded guilty to one count of a three count indictment charging him with trafficking in child pornography through the U.S. mails, in violation of Title 18, Section 2252, USC. Prior to sentencing, the court was advised of Bellis' prior history of sex offenses against minors, for which he previously served time in the Montana State Prison.

CLEVELAND—Guilty Plea in Pornography Case: On November 20, 1985, Ronald Easa, pleaded guilty to one count of trafficking in child pornographic material through the U.S. Mails, in violation of Title 18, Section 2252, U.S. Code. The prosecution was initiated following a period of correspondence during which Easa mailed photographs of minors engaged in sexually explicit conduct to a Postal Inspector.

CLEVELAND—Blue Cross Fraud an Inside Job: On September 6, 1985, Alfred Bamberger pleaded guilty in federal court to six counts of mail fraud for swindling his employer, Blue Cross of Northeast Ohio, out of $231,000 between December 1981 and October 1984. While managing Blue Cross' graphic services department, Bamberger created two bogus companies, Graphic Communications Services and the Art Factory, and had false bills paid to them by Blue Cross for non-existent services. This conviction caps an investigation by the Postal Inspection Service and the Financial Investigations Department of Blue Cross/Blue Shield of Northern Ohio. (Inspector G. C. Smith)

CLEVELAND—Phony Foot Fraud Charged: On September 5, 1985, a federal grand jury returned a 39 count indictment against Podiatrists Rustom R. Khouri, Samuel R. Goss, Micahel G. Warshaw, Craig L. Cohen, Robert S. Bronstein, physicians assistant Michael Corcelli, and Affiliate Foot Care Centers, Inc., d/b/a Family Foot Care Centers. The indictment charged that from July 1, 1982 to January 1985, the above participants conducted a scheme to defraud patients and their insurance companies or the government funded Medicare and Medicaid plans through the performance of unnecessary or fake surgery. Family Foot Care Centers operated eight clinic locations in Cleveland and treated thousands of patients each year. The business was owned and operated by Dr. Rustom Khouri. The alleged scheme included the false diagnosis of patients as having conditions that required surgery; taking presurgical blood tests and x-rays which were not needed; and performing soft tissue (tendon) and bone surgery when it was not required. Some procedures were faked or the doctor would pretend to do the surgery by making an incision but the procedure would not actually be done. Investigation disclosed that the podiatrists referred to this procedure as "SS" for superficial status. All money generated by the business was controlled by Dr. Khouri through his accountant, and millions of dollars were channeled through many bank accounts with Dr. Khouri allegedly receiving at least 2.8 million dollars in less than two years. Thirty-seven counts of mail fraud were charged in the indictment, with eight counts related to undercover visits by Postal Inspectors to confirm the scheme's operation during the summer of 1983. Dr. Khouri also was charged with one count each of violation of 18 USC 1503 for obstructing the investigation, and 18 USC 1512 for threatening a witness. A warrant was issued for his arrest based on these counts; he was arrested on September 9, 1985, and releasd on $100,000.00/10% bond. The investigation was carried out jointly by Postal Inspectors, investigators from Blue Cross/Blue Shield of Northern Ohio, the U. S. Department of Health and Human Services, and the Ohio Attorney Generals Office of Medicaid Fraud Control. Two doctors, David S. Tarr and Stanley Luksenburg, have previously pleaded guilty to one count informations concerning this scheme and will provide testimony against the other participants.

CLEVELAND—Twenty-Two Charged in Jobless Benefit Scheme: Twenty-two Cleveland residents were indicted on August 27, 1985, and ten more on September 24 by federal grand juries on charges they defrauded the Ohio Bureau of Employment Services (OBES) of more than $1.2 million through false unemployment claims. In a scheme which began in 1980, alleged ringleaders Sell Jefferson, Jacques Bradley and John M. Leslie were charged with recruiting no less than 19 others for the purpose of filing false claims showing Inner City Masonry Co., a defunct Cleveland firm, as their former employer. Benefit checks were then divided between ringleaders and claimants. Indictments followed a joint investigation by Postal Inspectors, U.S. Department of Health and Human Services, U.S. Department of Labor, and OBES. Each defendant was charged with mail fraud; 11 also were charged with falsely obtaining a Social Security number. In the course of its pre-arraignment investigation, the U.S. Probation Office learned that Jefferson also faces a life sentence on a 1975 murder and robbery conviction. Through a paper mix-up, Jefferson served only the robbery sentence and was paroled from the Ohio Reformatory without ever serving the life sentence for murder. (Inspector J. P. Callinan)

CLEVELAND—Indictment for Pornography: Charles Edward Drawdy was arrested on child pornography charges by Cleveland police officers and Postal Inspectors on September 4, 1985. On September 11, 1985, the case was presented to the grand jury, which returned a true bill of indictment, charging Drawdy with two counts of photographing a minor in a nudity oriented performance. The grand jury further charged Drawdy with eight counts of rape of a child under the age of 13 years.

LAKEWOOD—Child Pornographer Sentenced: On September 4, 1985, Jerry J. Ukrin, appeared in U. S. District Court for sentencing, following his plea of guilty to a one count bill of information, charging him with trafficking in child pornographic materials through the U.S. Mail, in violation of Title 18, Section 2252, U.S. Code. Ukrin was sentenced to two years in prison suspended, and then placed on probation for five years plus a fine of $5,000. Conditions of probation include continued participation in a sex offenders rehabilitation program throughout the term of the probationary period, and participation in a community service program requiring ten hours of volunteer service per month.

OKLAHOMA

OKLAHOMA CITY—Former Big Brother Guilty on Pornography Charges: On May 24, 1985, a controlled delivery of a U. S. Customs seizure of child pornography was made to Larry E. Tarrant at his residence in Midwest City, Oklahoma, and a federal search warrant served at the apartment. Recovered during the search was a quantity of child homosexual pornography. Tarrant, a GS-12 Engineer at Tinker Air Force Base in Oklahoma City, OK, is a former Big Brother and a volunteer worker for the Oklahoma County Juvenile Bureau and Methodist Children Hospital. On October 28, 1985, Tarrant pleaded guilty in Oklahoma County Court to Title 21 of the Oklahoma State Statute, possession of child pornography. He received a five-year suspended sentence, was placed on probation for five years, fined $25, plus $70 court costs, and ordered to participate in psychiatric counseling.

PENNSYLVANIA

PHILADELPHIA—Insurance Fraud Charged: On December 17, 1985, a federal grand jury returned an indictment charging Lelis Antongiorgi, a/k/a Leslis Lara of Allentown, PA, with 31 counts of mail fraud. The indictment charged that Antongiorgi was employed by Finance America Corporation in Allentown as the Benefits Administrator. Part of her duties included reviewing medical and dental insurance claims submitted by Finance America employees to Aetna Life and Casualty Insurance Company and Finance America. The indictment charged that from June 9, 1981 to October 6, 1982, Antongiorgi took copies of valid medical and dental claim forms which had been submitted by employees and substituted the name of her daughter for the name of the proper claimant. The indictment charged that Antongiorgi would claim the payment had already been made to the doctor or party providing the service and instructed Aetna to send the payment directly to her. As a result of this scheme, Antongiorgi received checks totalling $6,210.57 from Aetna.

PHILADELPHIA—Five Charged with Credit Card Scam: A federal grand jury indicted five Philadelphia men on September 25, 1985, for mail fraud, credit card fraud and conspiracy. The 21 count indictment charged that the defendants obtained copies of approved American Express Gold Card applications and subsequently applied for various bank and department store credit cards, using the information of the legitimate Gold Card applicants. As part of the scheme, the defendants changed the addresses of the true applicants to mail drop locations in order to receive the cards. The indictment also charged that the defendants used these fraudulently obtained cards to receive money, goods and services valued at over $85,000. The following individuals were named in the indictment: William Hart, Steven Hudson, Marvin Turner, Anthony Walker, a/k/a Anthony Wilkens, and David Thompson. U. S. Postal Inspectors and Secret Service agents jointly conducted the investigation leading to this indictment. (Inspector D. G. Fast)

PHILADELPHIA—Charges in Metals Scam: A federal grand jury returned a 15 count indictment on December 20, 1985 against Edward F. Vogelman, a/k/a Edward F. Milligan, charging him with income tax evasion, false statements on income tax returns, mail fraud and conspiracy to commit offenses against the United States. According to the indictment, the defendant and the Chief Chemist of U.S. Metals Refining, Inc. defrauded AMAX, Inc., a major national precious metals firm, of approximately 2.5 million dollars. The alleged scheme consisted of Vogelman delivering and selling a large quantity of brass ingots to U.S. Metals Refining, Inc. and AMAX, Inc., located in Carteret, New Jersey, and falsely representing that the ingots contained precious metals such as gold and silver. The Chief Chemist of U.S. Metals Refining, Inc. prepared fraudulent assay certificates and submitted them to AMAX, Inc. causing them to issue checks and transfer gold bullion to Vogelman in payment for the falsely represented gold and silver content of the brass ingots. The indictment further charged that Vogelman received approximately 2.5 million dollars from AMAX, Inc. during the course of the scheme, but failed to report any of this income to the Internal Revenue Service, thereby falsely understating his income on federal income tax returns and evading the payment of income taxes. The case resulted from a joint investigation of Postal Inspectors and the Internal Revenue Service Criminal Division with the cooperation of the Middletown Township Police Department.

PHILADELPHIA—False Billing Swindle Charged: A federal grand jury returned two separate indictments on December 5, 1985 charging Jeffrey I. Chapov, a former employee of Lionel Leisure, Inc., and three other individuals with defrauding Lionel in connection with freight bills paid by Lionel. Chapov was Lionel's traffic manager from February 13, 1979 until August 19, 1983, and his duties included arranging the transportation of merchandise to Lionel locations through trucking companies and freight brokers as well as by the use of Lionel's own fleet of trucks. The first indictment charged Chapov and Thomas J. Militello with mail fraud between December 1980 and August 1983. Militello was identified as the owner and president of Traffic Executive Services, Inc. ('TESCO'), a freight brokerage business, originally located in Essington, Pennsylvania, which subsequently moved to Cape Coral, Florida. The indictment charged that Chapov and Militello devised five separate methods by which TESCO fraudulently invoiced Lionel for freight brokerage services, including double billing for freight shipments; bogus billing for non-existent shipments; charging excessive rates; charging for two separate shipments when a truck stopped to make an intermediate delivery on its way to an ultimate delivery destination; and submitting bills for shipments actually performed by Lionel's own fleet of trucks. The indictment alleged fraudulent charges totalling approximately $155,000 due to the first two methods listed; losses caused by the other three methods were not specified. In addition, according to the indictment, Chapov would receive 40 to 50 percent of TESCO's profits on all Lionel business, both legitimate and fraudulent. Payment to him totalled approximately $374,000 in less than three years. The second indictment charged Chapov, Donald J. Kopf and William F. Weiss with mail fraud and conspiracy to commit mail fraud. Chapov was additionally charged with interstate transportation of money taken by fraud. Kopf and Weiss were identified as co-owners of DMB Transportation Corporation in Jersey City, New Jersey. According to the indictment, Kopf and Weiss paid Chapov approximately $56,000 in kickbacks in exchange for Lionel freight business between November 1979 and August 1983. The indictment further charged that Chapov, Kopf and Weiss formed Merchants Shipping Association (MSA) in Jersey City, NJ in February 1981 after which time MSA received Lionel freight brokerage business. Chapov purportedly caused MSA to double bill Lionel for freight shipments, totalling approximately $78,000 in fraudulent charges to Lionel. According to the indictment, MSA billed Lionel for more than $3½ million in three years, and Chapov's share of the profits in this period totalled approximately $424,000. Also, according to the indictments, Chapov never disclosed his interest in MSA to his superiors at Lionel, nor did he disclose his conflict of interest and receipt of money from Militello, Kopf and Weiss.

PHILADELPHIA—Eight Charged With Insurance and Welfare Swindle: On September 18, 1985, a federal grand jury returned two indictments against eight individuals for insurance and welfare fraud. A 46-count indictment was returned against Joseph Houghton and his wife, Donna Livoy Houghton of Plymouth Meeting, PA; Donna Houghton's parents, Frank Livoy and Elizabeth Livoy of Collingdale, PA; Lynda Livoy, Donna Houghton's sisters, also of Collingdale, PA; and Nancy Cohan of Norristown,PA. Specifically, they were charged with 43 counts of mail fraud and two counts of transporting fraudulently obtained insurance checks across state lines. Joseph and Donna Houghton were also charged with knowingly harassing and tampering with a witness testifying before the grand jury about their activities. From 1975 to the present, the defendants allegedly defrauded various insurance companies by staged and fabricated automobile "accidents," personal property losses and fake soft-tissue injuries. The defendants allegedly used aliases and false identifications, lied to insurance company representatives, police officers, medical emergency personnel and in court proceedings. They also allegedly forged checks, made misrepresentations on insurance claim forms and court-related documents. The indictment further charged that they used the insurance proceeds to purchase luxury items such as lavish houses, expensive cars and boats, and used these items as bait to recruit others into the scheme. The defendants received more than one million dollars from insurance companies. The second indictment charged Donna Livoy Houghton, Frank J. Livoy, Elizabeth and Lynda Livoy with 12 counts of mail fraud in connection with a scheme to defraud the Pennsylvania Department of Public Welfare. From August 9, 1979, to March 16, 1981, the four defendants submitted applications which allegedly contained false information to obtain welfare benefit checks and food stamps. The defendants lied about their correct home addresses, financial condition, their respective marital status and about their knowledge of the whereabouts of their spouses. Postal Inspectors conducted the investigation leading to these indictments, based on information from the Pennsylvania Insurance Department and the Insurance Crime Prevention Institute.

PHILADELPHIA—Lottery and Racetrack Tout Charged: A federal grand jury returned a 12-count indictment on October 1985 against the chief executive officer of the Wharton Spiritual Church, Samuel Wylie, charging him with mail fraud. The indictment stems from a five-year investigation and specifically charges Wylie with devising a scheme to defraud numerous people throughout the country of over $400,000 by fraudulently claiming he could provide winning numbers on legal and illegal lotteries, and the numbers of winning horses at various racetracks. The indictment also notes that Wylie furthered his scheme by using the U.S. Mail to solicit victims and provide them with guaranteed numbers by mail or in person at various cities. Wylie allegedly used the Wharton Spiritual Church to obtain a non-profit mailing permit which allowed him to mail out his guaranteed numbers solicitations at a less costly mailing rate. The indictment charged that Wylie used seven different aliases to represent himself as a prophet or minister, and rented 12 separate post office boxes in different areas to execute his scheme. At present (November 1985), Wylie's whereabouts are unknown, and he is listed as a fugitive from justice.

PHILADELPHIA—Swan Song For Swindler: Delmar R. Swann, owner and operator of Continental Business and Financial Directory, pleaded guilty September 3, 1985, to two counts of a ten count indictment. Swann, a major figure in numerous directory billing schemes throughout the United States, operated his business from Los Angeles, but had remittances sent to a mail drop in Philadelphia. His scheme began in 1979 and continued through 1982, netting him approximately $220,000. Nearly 700 U.S. and Canadian firms were swindled by Swann and his directory billing fraud. Swann is presently serving a 4½ year sentence in California resulting from a similar, but unrelated mail fraud scheme.

PITTSBURGH—Illegal Use of Credit Cards Charged: On December 4, 1985, Postal Inspectors arrested Arthur R. Calabrese, Jr. after he had been charged in an indictment returned by a federal grand jury the previous day. The indictment charged that Calabrese used fraudulently obtained credit cards to obtain for resale approximately $260,000 of merchandise. The merchandise was primarily audio-visual equipment, i.e., VCRs, video cameras, televisions, stereos, etc. Calabrese did business as Pittsburgh Entertainment System, Inc. The indictment charged him with ten counts of mail fraud, and five counts of use and interstate transportation of fraudulently acquired credit cards.

PITTSBURGH—Man Charged as Mail Bomber: On December 3, 1985, a federal grand jury returned a 14 count indictment against Randall "Randy" Douglas McFadden, charging him with mailing the bomb parcel that exploded at the Pittsburgh Bulk Mail Center in Warrendale, PA, on October 8, 1985. The indictment charged him with one count relating to the mailing, one count relating to the damage to postal property and the remaining 12 counts stem from his manufacturing and possession of firearms (explosive devices). McFadden was taken into custody on the warrant issued in this case on November 21. McFadden was denied bond on the basis that he was a danger to the community and a risk to flee.

SOUTH CAROLINA

COLUMBIA—Police Officer Guilty of Pornography Charges: On December 16, 1985, Wayne D. Pearson was sentenced in South Carolina State Court to 50 years in prison, suspended to imprisonment for six years and three years probation. He was also ordered to undergo psychological counseling while in prison. Pearson, a thirteen year veteran of the Spartanburg, SC Police Department, previously pleaded guilty to two counts of promoting the sexual performance by a child and two counts of second degree criminal sexual conduct. The first two counts arose from Pearson exhibiting child pornography at an undercover meeting in Columbia, SC at which time he was arrested. The second two charges arose after search of his residence disclosed he had sex with two girls and photographed them in lewd poses.

SOUTH DAKOTA

SIOUX FALLS—Four Guilty in Advance Fee Scheme: A federal court jury returned guilty verdicts on December 5, 1985 against Ronald A. Sablosky of New York, NY; Jack Casperson, Carter Lake, IA; and Norman Bernard Thirion of Newport Beach, CA. This was a retrial for Sablosky and Casperson, who had prior convictions overturned by the Eighth Circuit. Thirion had been a fugitive during the first trial and was apprehended in April 1985 in the country of Monaco. The case involved a complicated advance fee scheme in which over 30 victims were defrauded of more than $500,000 on promises to obtain mortgage loans from Arab and/or European sources. No loans were ever obtained. A fourth defendant, Bernard P. Pletcher of Des Moines, IA, pleaded guilty shortly before the trial.

TENNESSEE

MEMPHIS—Arson for Profit Charged: A federal grand jury returned a 13-count arson-for-profit conspiracy indictment on December 9, 1985 against four persons: John S. Wooten, owner of Wooten Chevrolet in Covington, TN, Scotty L. Sartain, George L. Cleveland, and William H. Webb, Jr. The indictment charged that from November 1981 to October 1985, Wooten conspired with the other three to burn the dilapidated Oak Haven Motel, located in Covington, TN, and owned by Wooten. The indictment further charged that as a result of the fire in February 1981, Wooten received $51,512 in settlement of an insurance loss paid by Insurance Company of North America. The U.S. Mails were used in the conspiracy resulting in the mail fraud charges. Investigation was a cooperative effort by a federal grand jury of the Office of the U.S. Attorney at Memphis, Postal Inspection Service, Covington, TN Police Department; Tennessee State Fire Marshal's Office; Tipton County Sheriff's Department; Alcohol, Tobacco, and Firearms; Tennessee Bureau of Investigation, and the Insurance Crime Prevention Institute.

TEXAS

HOUSTON—Pornography Guilty Plea: On August 27, 1985, a superseding indictment was obtained against Jack Bryan Sandmeier, charging him with additional counts of mailing obscene matter in violation of 18 USC 1461. On November 4, 1985, Sandmeier entered a guilty plea to one count of 18 USC 2252 (mailing child pornography) and one count of 18 USC 1461. The charges involved the mailing of child pornography magazines and obscene motion picture films to an undercover Postal Inspector. On December 12, 1985, Sandmeier was sentenced to ten years in prison and given a $250,000 fine for violation of 18 USC 2252; he was sentenced to five years in prison and given an additional fine of $250,000 for violation of 18 USC 1461, the sentences to run consecutively. He was ordered committed to the custody of the Attorney General for ninety days of psychiatric examination, following which time the sentences would be reconsidered.

HOUSTON—Boiler Room Operator Sentenced (Summer 1985 Report): On May 6, 1985, Jay Maizel and Michael Scheft were charged with operating various COD advertising specialty boiler room schemes in the San Antonio, TX, area under several trade names, including Southwest Ad Design, Big Tex Marketing, Global Promotions, National Breeder's Service and Specialty Printers. The loss to the public was estimated at more than $2,000,000. Maizel also was charged with two counts of filing fraudulent COD claims on packages which had been returned to him. Maizel, after pleading guilty on June 27, 1985, was sentenced on September 4, 1985, to four years in prison and a $1,000 fine on one count and three years in prison plus a $3,000 fine on another count. Imposition of the sentences was suspended and he was placed on supervised probation for five years with six months in a halfway house. He also was ordered to make restitution of $15,900: $6,157 to the U.S. Postal Service and $9,742.65 to victims of the advertising specialty/COD scheme. Michael Scheft, after pleading guilty to one count of mail fraud on June 27, 1985, was sentenced on September 4, 1985, to three years in prison plus $1,000 fine; the sentence was suspended and he was placed on supervised probation for five years; committed to a halfway house for four months and ordered to make $9,742 restitution to victims of the COD advertising specialty scheme. During the investigation, 45 U.S. Treasury checks worth $7,989, which represented fraudulent COD claims submitted by Maizel and Scheft, were recovered from one of their vendors.

HOUSTON—Trio Charged with Food Fraud: On October 11, 1985, a federal grand jury returned a 14-count indictment stemming from an investigation into fraud and corruption in the federally funded Summer Food Service Program operated by the City of Houston Parks and Recreation Department. The indictment charged Randy Bostic, former Program Director of the Summer Food Service Program; Art Jones, former Assistant Director of the Houston Parks and Recreation Department; and Art Bernal, former owner of AMBCO Catering Company with conspiracy, mail fraud and receiving U.S. Department of Agriculture funds that were obtained by fraud. Bostic and Bernal were also charged in two bribery related counts. The indictment alleged that the defendants conspired to defraud the government Summer Food Service Program for Children during 1984 by falsifying the quantity of lunches provided by AMBCO. The defendants were charged with the fraudulent receipt of federal funds relating to the government reimbursement for lunches never delivered, and Bostic and Bernal are accused of bribery relating to AMBCO's receipt of the catering contract from the City. The total alleged loss is approximately $175,000. The indictment was a result of an investigation by the Postal Inspection Service, U.S. Department of Agriculture and Texas Department of Human Services.

SAN ANTONIO—Work-at-Home Entrepreneur Charged: John Holmes McCall surrendered to the U.S. Marshal at San Antonio on September 5, 1985, after being charged in a one-count mail fraud information filed August 27, 1985, by the United States Attorney for the Western District of Texas. McCall is a former associate of A. L. Chavis of San Antonio who was convicted of similar work-at-home schemes. McCall was charged in the information with operating various work-at-home schemes in the San Antonio area from October 1981 to December 1983, using the following firm names: Security, Family Security Program, FSP Group, John H. McCall Investments, Riviera Directory, Commercial Business System Products, Bonaire, Net-Co, Network, Shaklee, and Market Systems. He was charged with placing advertisements in newspapers, etc., offering homework opportunities and promises of a specified income. He would then instruct "homeworkers" to place similar advertisements in publications to solicit additional "homeworkers." The estimated victim loss in these schemes for 1982 and 1983 was approximately $800,000.

VIRGINIA

ALEXANDRIA—Sentencing for Child Pornography: On October 25, 1985, Samuel Lighton Murray of Annandale, VA was sentenced in U. S. District Court on two counts of 18 USC 2252, Sexual Exploitation of Minors. Murray had pleaded guilty on September 23, 1985. The defendant was sentenced to three years imprisonment for each count, both counts to be served concurrently and both counts reduced to three years probation with psychiatric help.

WASHINGTON

BELLEVUE—Four Guilty in Major Investment Fraud Case (Spring 1985 Report): On October 1, 1985, following a six-week trial at Seattle, WA, a federal jury returned guilty verdicts on 66 counts of mail fraud, conspiracy and securities fraud against Harry H. March, Terry D. March, James H. Van Natter, and Myron J Tamble. The four engaged in a massive nationwide "Ponzi Scheme" by promoting and selling limited partnership investments to acquire various properties, including mobile home parks, office buildings, oil drilling rigs, cattle feeding equipment, mobile home factories, and ranches through Royal Investments, Inc., a Washington corporation. Over 265 investors lost $10,000,000 which had been entrusted to the defendants. The majority of the investors were elderly and had invested their entire life savings. The two and one-half years investigation was jointly conducted by Postal Inspectors and agents of the IRS and SEC.

WEST VIRGINIA

CHARLESTON—Postal Robbers Handed Heavy Sentences: Wallace Wade was sentenced to two consecutive 25-year jail terms for the armed robbery of postal drivers at Winifrede and Malden, WV, on March 1 and May 3, 1985. Wade was ordered to pay restitution to the driver of the second truck in the amount of $2,322 for lost wages. He pleaded guilty to two counts of armed robbery on August 8, 1985. Jessie Yates was sentenced to two concurrent 21-year terms on state kidnapping charges relating to this robbery. A guilty plea to the kidnapping charges was entered by Yates on July 25, 1985, and Yates was sentenced on July 25, 1985. A total of $35,410 in cash and $10,856 in checks were taken during the robberies. Of this amount, $17,603.00 in cash has been recovered and approximately $7,500 is being traced. Both Wade and Yates' plea agreements required them to cooperate in the investigation and, as a result, indictments are expected for four other individuals in connection with the armed robberies. Wade also admitted to the theft of $65,000 in cash at the Winifrede, WV Post Office on December 21, 1978.

CHARLESTON—Pornographer Gets Lengthy Sentence: Joel F. Beddell, III, was arrested in April 1985, by a joint agency task force as part of a controlled delivery of a foreign originated package that contained child pornography in violation of Title 18, Section 2252. On October 7, 1985, in a change of plea hearing in U. S. District Court at Charleston, WV, Beddell withdrew his not guilty plea and entered the plea of guilty to one count of 18 USC, Section 2252, use of the United States mails to transport child pornography. On November 6, 1985, Beddell was sentenced to serve 10 years in prison.

CIVIL ADMINISTRATIVE ORDERS

Satisfactory evidence has been presented to the Postal Service that the following companies and/or their agents and representatives are engaged in the conduct of a scheme or device for obtaining money or property through the mails by means of false representation in violation of 39 U.S. Code 3005 (formerly U.S.C. 4005). Therefore, the Postal Service Judicial Officer has issued an order to the appropriate postmasters directing the return to senders all mail related to the scheme or device (except refund requests) and forbidding the payment of any Postal Money Order relating to the scheme or device. All mail which is returned to senders is marked "Return to Sender; Order Issued against Addressee for Violation of False Representation Law."

1. INTRA-MEDIC FORMULATIONS, INC.
1110 West Sunrise Boulevard
Ft. Lauderdale, FL 33311-1337
AND
CONNOR-FREEMAN LABORATORIES, INC.
1881 N.E. 26th Street, #208
Ft. Lauderdale, FL 33305-1416
AND
10100 Linn Station Road, Suite 102
Louisville, KY 40223-3837
AND
CUSTOMER-SERVICE DISTRIBUTION CENTER, INC.
997 N.E. 11th Avenue
Ft. Lauderdale, FL 33311-1337
With respect to medical product—"Anorex-CCK"

2. W. G. CHARLES COMPANY
3952 N. Southport
Chicago, IL 60613-2606
AND
CUSTOMER SERVICE DISTRIBUTION CENTER, INC.
997 N. W. 11th Avenue
Ft. Lauderdale, FL 33311-1337
With respect to medical product—"Intercal-SX"

3. THE COOPERATIVE RECIPE EXCHANGE
P. O. Box 4224
Woodbridge, VA 22194-4224
With respect to a lottery

4. ELECTRONIC DEVELOPMENT LAB
P. O. Box 1560
Pinellas Park, FL 33565
With respect to work at home scheme—assembly of electronic devices

5. THE ROBERTSON-TAYLOR COMPANY
1110 West Sunrise Blvd.
Ft. Lauderdale, FL 33311-1337
AND
135 E. Oakland Park Boulevard
Ft. Lauderdale, FL 33334-1153
With respect to medical product—"Metabolite-2050"

6. FEDERAL TESTING AUTHORITY, NATIONAL PROCESSING CENTER
1681 N.E. 79th Street
Miami, FL 33141-4106
AND
FEDERAL TESTING AUTHORITY
1750 Pennsylvania Avenue
Washington, DC 20006-4502
With respect to a merchandise misrepresentation—prize promotion involving the sale of art prints

7. AMERICAN TESTING INSTITUTE
AND
GIFT REDEMPTION CENTER
6660 Biscayne Blvd.
Miami, FL 33138
With respect to solicitations

8. U. S. TESTING
AND
FEDERAL TESTING AUTHORITY
1681 NE 79th Street
Miami, FL 33141
With respect to solicitations

9. NATIONAL CREDIT COMPANY
AND
CREDIT LINE
P. O. Box 41184
Cleveland, OH 44141
With respect to merchandise misrepresentation

10. WORLD COMMUNICATIONS, INC.
P. O. Box 93005
Long Beach, CA 90809
With respect to medical product—"Grapefruit Diet"

11. ADVANCED LOCK SYSTEMS, INC.
1055 South Trail, S-205
Sarasota, FL 33578
With respect to merchandise misrepresentation—lock pick gun

12. LAW ENFORCEMENT ACADEMY
P. O. Box 703
Carlisle, PA 17013
With respect to merchandise misrepresentation—tickets for shows

13. TELCO DIVISION, INC.
1601 E. Main Street
Plainfield, IN 46168
With respect to false billings for directory listings

14. CHRISTOPHER GALLERY
AND
CHRISTOPHER GALLERY OF FINE GEMS
350 5th Avenue
P. O. Box 1718
New York, NY 10116
With respect to merchandise misrepresentation—gems

15. VETERANS REPORT
4716 N. 100th Street
Milwaukee, WI 53092
With respect to false billings—invoices

16. PHILLIPS ENTERPRISE
P. O. Box 602
Mullins, SC 29574
With respect to work at home—envelope stuffing

17. CLIMAX GROUP, INC.
5308 Derry Avenue
Agoura Hills, CA 91301
With respect to failure to furnish merchandise—snuggly bears

18. P MONTANA
P. O. Box 397
Skokie, IL 60076
With respect to envelope stuffing scheme

19. INTERCOL
P. O. Box 9565
Asheville, NC 28815
With respect to misrepresentation of merchandise

20. BUSINESS OPPORTUNITIES
AND
INDEPENDENT ASSOCIATION OF COMMISSION MAILERS
P. O. Box 267
Schofield, WI 54476
With respect to work at home—envelope stuffing

21. MS MARKETING, INC.
211 E. Lake Street
Addison, IL 60101
With respect to misrepresentation of merchandise—coupons for pantyhouse

CONSENT AGREEMENTS

The mail order activities of the businesses listed below received attention with respect to alleged violations of Title 39, U.S. Code, Section 3005, False Representation Statute, based on representations made in their advertisements. The firms agreed to the following:

A. Without admitting the falsity of their advertisements they agreed that the alleged false representations may be reasonably construed by a normal reading of the advertisement.
B. That the use of this promotional material has been permanently discontinued and will not be resumed directly or indirectly under any other name, address, corporation or other device.
C. That advertisements making representations similar to the representations alleged will never again be used in the sale of the same or similar product.

1. BASIN MAIL SERVICES
P. O. Box 11143
Odessa, TX 79760
Subject: Work at Home—Envelope Stuffing

2. BK ENTERPRISES
AND
FUN AND GAMES
P. O. Box 341028
Memphis, TN 38184
Subject: Distributorship—Games

3. BETTY BROUMLEY
P. O. Box 119
Grandview, TX 76050
Subject: Distributorship—Money Making

4. PAXON
P. O. Box 1121
Jacksonville, FL 32201
Subject: Loan Application

5. NATIONAL COSMETIC LABS
330 S University Drive
Plantation, FL 33317
Subject: Medical—Bust Developer

6. SUPREME FULFILLMENT CREME
2265 Westwood Blvd.
Los Angeles, CA 90064
Subject: Medical—Bust—Enlarger—"Rame Creme"

7. TEXAS WEEKEND VACATION
AND
NATIONAL WEEKEND VACATION TRAVEL CLUB
7013 Dixie Drive S-2000
Houston, TX 77087
Subject: Travel Promotion

8. J E ENTERPRISES
P. O. Box 1852
Houston, TX 77251
Subject: Work at Home—Envelope Stuffing

9. MD NATURAL VITAMINS
5353 Kings Highway
Brooklyn, NY 11203
Subject: Medical—Body Ailments

10. MARGIE BORDEN
RR 12, P. O. Box 1010
Clarksville, TN 37040
Subject: Distributorship

11. OMNICARD INTERNATIONAT T. C.
4601 San Pedro Street
San Antonio, TX 78212
Subject: Merchandise Misrepresentation

12. MICHIGAN LOTTERY EXCHANGE
1014 Franklin Street, SE
Grand Rapids, MI 49507
Subject: Gambling—Lottery

13. LAW ENFORCEMENT GUIDE
AND
VETERANS REPORT
12 S 6th Street #1153
Minneapolis, MN 55402
Subject: False Billings

14. NATIONAL MARKETING SERVICE
P. O. Box 210346
Dallas, TX 75211
Subject: Work at Home—Envelope Stuffing

15. B & R MANAGEMENT
P. O. Box 817
Dayton, TX 77535
Subject: Work at Home—Envelope Stuffing

16. DENTON JOHN
114 SE 31st Street
Oklahoma City, OK 73129
Subject: Distributorship—Mailing List

17. CARL W. JAMESON
P. O. Box 696
Mesquite, TX 75149
Subject: Work at Home—Envelope Stuffing

18. MALE MAIL MARKETING, INC.
P. O. Box 2029
Los Angeler, CA 90078
Subject: Medical—"Conceptrol"

19. PRO GRASS, INC.
2205 Greenspring Drive
Timonium, MD 21093
Subject: Lottery—Lawn Care

20. NATURE'S OUTLET
6230-6 Rolling Road
Springfield, VA 22152
Subject: Medical—Diet Plan

21. CENTURY LIGHTING & MAINTENANCE PROD.
P. O. Box 206
Pennsauken, NJ 08110
Subject: False Billing
AND
NATIONAL MAINTENANCE SUPPLY
P. O. Box 232
Pennsauken, NJ 08110
Subject: Distributorship
AND
STANDARD MAINTENANCE SUPPLIES
P. O. Box 68
Delair, NJ 08110
Subject: Distributorship

22. INTERNATIONAL HAIR RESEARCH
270 N. Canon Drive, S-1204
Beverly Hill, CA 90210
Subject: Medical—Baldness Cure

23. ROBERT TAYLOR
718 Fox Briar Lane
Ballwin, MO 63021
Subject: Coupon Misredemption

24. UNIVERSAL MARKETING
14618 Brittania
Chesterfield, MO 63017
Subject: Work at Home—Envelope Stuffing

25. NATIONAL COSMETIC LABS
300 S. University Drive
Plantation, FL 33317
Subject: Medical—"Trim and Firm"

26. HORIZON FINANCIAL SERVICES
P. O. Box 276
Stafford, TX 77477
Subject: Loans

27. PAUL GIESLER
RR1, P. O. Box 97A
Cuba, MO 65453
Subject: Work at Home Employment

28. NEW HORIZONS
AND
NEW HORIZONS CORPORATION
1 Lakewood Plaza
Lakewood, NJ 08701
Subject: Medical—
Pills "Sanhelios Pros"
Pills "Dream & Trim"
Pills "Max Life"
"Diet Mate Tea"
Pills "Amino Brain"
Acupuncture Pants
Shampoo "Jojoba 90"
Pills "35 Plus"
Pills "Sanhelios Garl"
Pills "Megavital HP"
"Rocket Fuel"
Pills "Prime Time"
Pills "Poligel"
Pills "Sanhelios"
Pills "Androgel"
Cream "Lavilin"
Pills "Briotol"
"Jogger Juice"
Pills "Energy Now"
Pills "Sanhelios Beau"
"White Powder"
"Sanhelios 3-Day Diet"

29. WORLD CLASS LIVING, INC.
P. O. Box 1399
Bryson City, NC 28713
Subject: Distributorship

30. BOB'S COMICS
617 N. Fairview Street
Lansing, MI 48912
Subject: Failure to Furnish Merchandise—Comic Books

31. SGC ENTERPRISES
P. O. Box 24077
Lexington, KY 40524
Subject: Merchandise Misrepresentation—Money Making Promotion

32. T O G DISTRIBUTORSHIP, INC.
8161 Laurelmont Drive
Los Angeles, CA 90046
Subject: Medical—AIDS Prevention

33. SUPER RAFFLE
AND
CARROLL HIGH SCHOOL
4524 Linden Avenue
Dayton, OH 45432
Subject: Contests—Sweepstakes

34. NATIONAL GROUP MARKETING
P. O. Box 142
Durand, MI 48429
Subject: Merchandise Misrepresentations

35. DONALD L. GRANT d/b/a
GRANT PUBLISHING COMPANY
P. O. Box 1732
Austin, TX 78767-1732
Subject: Work at Home Plan

36. HERSEY MAILORDER COMPANY
Route 3, Box 315-B
Nichols, GA 31554-3315
Subject: Work at Home Plan

37. PAULSEN MARKETING CREDIT SERVICE
PAULSEN MARKETING COMPANY
P.M.C. SERVICES
P.M.C.
P. O. Box 187
Boys Town, NE 68010-0187
AND
12256 Hamilton Circle
Omaha, NE 68154-1399
Subject: Merchandise Misrepresentation—Credit Cards

38. GRAPEFRUIT DIET
384 W. New York Street
Aurora, IL 60506-3955
Subject: Medical—Diet Plan

39. GAMMA LABORATORIES
PAUL B. EILLISON
1238 A South Highland
Clearwater, FL 33516-4334
AND
1602 Gulf-to-Bay Boulevard
Clearwater, FL 33513-7258
AND
P. O. Box 949
Elko, NV 89801-0949
Subject: Medical—"Power Plate"

40. G. D. COLLINS
14 Chippewa Drive
Savannah, GA 31406-4708
Subject: Work at Home

41. CALOREX, INC.
2001 West Avenue
C. S. Box 10011
Stamford, CT 06902-2011
AND
KENNETH C. ACEVEDO
63 Gerhardt Road
Plainview, NY 11803-5506
Subject: Medical "Guarana" and "RNA-DNA" Tablets

42. LIFE RESEARCH CORPORATION
953 East Sahara
Las Vegas, NR 89104
AND
Gary P. Rosa
2565 Lynnwood #22
Las Vegas, NV 89109
Subject: Medical—Reducing Plan

43. NUTRIPHARM, INC.
860 Willis Avenue
Box 200
Albertson, NY 11507-1930
AND
KENNETH C. ACEVEDO
63 Gerhardt Road
Plainview, NY 11803-5506
Subject: Medical—"RNA/DNA" No Aging Diet Tablets

44. PACE PHARMACAL
445 Willis Avenue, Box 302
Williston Park, NY 11596-0321
AND
KENNETH C. ACEVEDO
63 Gerhardt Road
Plainview, NY 11803-5506
Subject: Medical—Diet Product "Guarana"

45. PERMA-TRIM, INC.
849 Kilmer Lane, Box 2101
Valley Stream, NY 11582-0000
AND
KENNETH C. ACEVEDO
849 Kilmer Lane, Box 2101
Valley Stream, NY 11582-000
Subject: Medical—Crash Burn Diet Program

46. PEGGY HOEPPNER & ANY AND ALL OF VARIOUS NAMES
P. O. Box 134
Iron Ridge, WI 53035-0134
Subject: Coupon Misredemption

47. LOTTO CLUBS OF AMERICAD, INC.
LOTTO AMERICA, INC. d/b/a
LOTTO CLUBS OF AMERICA, INC.
LOTTO AMERICA, INC.
LOTTO AMERICA, AND
DAVID E. CROTINGER
1304 W. McKaig Avenue
Troy, OH 45373-2732
Subject: Gambling—Lottery

48. LEWIS STEIN
407 North Princeton Avenue
Wenonah, NJ 08090-1647
AND
THERESA BROWN
407 North Princeton Avenue
Wenonah, NJ 08090-1647
AND
KING-MR. BOLD CO.
L. S. KING AND
L. S. KING, P.C.
P. O. Box 233
Mantua, NY 08051-0233
AND
TERRI-L PRODUCTS
12 Union Street
Mantua, NJ 08051-1424
Subject: Medical—Sex Stimulant "Zinc"

49. JAMES SIMMONS d/b/a
PEARSON PUBLISHERS
P. O. Box 1644
Windy Hill, SC 29598-1644
Subject: Work at Home Plan

50. NORMAN CHANES AND
MONROE CAINE AND
ENCORE HOUSE, INC. d/b/a
CLINICAL TEST DIVISION
Subject: Medical—Weight Loss Product

51. JAMAL ABDUL HAQQ
HAQQ COMPANY
15445 Ventura, #10-35
Sherman Oaks, CA 91403-3005
Subject: Work at Home Plan

52. JOSEPH LOMOC d/b/a
LOMOC JOSEPH
P. O. Box 5712
Pasadena, TX 77508-5712
Subject: Work at Home Plan

53. THOMAS J. ULRICH d/b/a
KAYSTAR LABS
P. O. Box 828
Johnson City, NY 13790-0828
Subject: Medical—Medical Device

54. VIBRONIC ENERGY, INC.
150-38 Union Turnpike
Kew Gardens, NY 11367-3928
AND
SCOTT PICKUS
150-38 Union Turnpike
Kew Gardent, NY 11367-3928
Subject: Merchandise Misrepresentation "Raydon"

55. HAROLD L. RUSSELL
800 W. Houston Street
San Antonio, TX 78207-3050
Subject: Multi-Level Distributorship enterprise

56. CHEMGLO INCORPORATED
P. O. Box 386
Allendale, NJ 07401-0386
DAVID GLASSMAN
304 Merrywood Drive
Wyckoff, NJ 07481-1612
Subject: False Billings

57. JO I. SPARKS
4930 Casa Espana Street
San Antonio, TX 78233-6411
Subject: Distributorship

58. ANTONIO R. SALAZAR
LINDA S. SALAZAR
2010 Roan Drive
San Antonio, TX 78227-2775
Subject: Gambling—Lottery

59. GOOD N VESTMENT, INC.
J. BRYAN VEST
JACKIE DON GOOD
P. O. Box 26908
Oklahoma City, OK 73126-0908
AND
P. O. Box 7349
Oklahoma City, OK 73253-7349
Subject: Work at Home Plan

60. WILLIAM R. CORDELL d/b/a
S & L ENTERPRISES
P. O. Box 24753
Nashville, TN 37202-4753
Subject: Work at Home Plan

61. ANN S. BISHOP d/b/a
MCMAIL
P. O. Box 150153
Nashville, TN 37215-0153
Subject: Work at Home Plan

62. ALVIN A. GOULD
5212 Beechmont Avenue
Cincinnati, OH 45230-1004
Subject: Contraband Postage

63. NETWORK CREDIT CARD SERVICE
P. O. Box 57
Olympia Fields, IL 60461
Subject: Merchandise Misrepresentation

64. L BRADFORD & ASSOC.
5265 Fountain Avenue #911
Los Angeles, CA 90029
Subject: Merchandise Misrepresentation

65. SAM LYBRAND
P. O. Box 843
Irmo, SC 29063
Subject: Distributorship

66. PHOENIX RED SOFTWARE d/b/a JIM CONWELL
1620 Bay Area Blvd., Suite 703
Houston, TX 77058-2133
Subject: Failure to Furnish Merchandise—Software Games

67. CONSUMER EXPRESS
R. 5, P. O. Box 245C
Spartanburg, SC 29301
Subject: Distributorship—Multi-Level

68. ORDER OF CARMEL DISCALED
6136 W. Kinnickinnic River Parkway
Milwaukee, WI 53319
Subject: Solicitation of Funds

69. MODEL PUBLISHING
870 Vance Street
Memphis, TN 38126
Subject: Distributorship—Get Rich Quick

70. U. S. LOTTERY GROUP
315 W. Livingston Street
Monticello, IL 61856
Subject: Gambling—Lottery

71. PM ADS
P. O. Box 2811
Spring, TX 77383
Subject: Work-At-Home—Envelope Stuffing

72. MJB ENTERPRISES
P. O. Box 03567
Columbus, OH 43203
Subject: Investment Programs

73. KETCHAM'S HEALTH 7 HOME PROD
112 Third Avenue E.
P. O. Box 339
Three Forks, MT 59752
Subject: Medical—"Bio-Line" Catalyst"

74. PHOENIX RED SOFTWARE
1620 Bay Area Blvd. S703
Houston, TX 77058
Subject: Failure to furnish merchandise—software games

75. MAILERS FINANCIAL COOP d/b/a MONTEJO
P. O. Box 806338
Chicago, IL 60680
Subject: Work-at-Home—Envelope Stuffing

76. PRINCE OF PEACE ENTERPRISES
P. O. Box 2443
San Francisco, CA 94126
Subject: Medical—"Diet Mate Tea"

77. C L A SERVICES
P. O. Box 93064
Lubbock, TX 79493
Subject: Loans

78. ELIZA GARZA AND ANY AND ALL OF VARIOUS NAMES
330 Houston Street
P. O. Box 2910
Ingleside, TX 78362
Subject: Failure to pay for Merchandise

79. WILLIAM RUIZ
1521 18th Street
Corpus Christi, TX 78404
Subject: Failure to pay for merchandise

80. GOLDEN OPPORTUNITIES
P. O. Box 382
Savoy, IL 61874
Subject: Work-At-Home—envelope stuffing

81. SUNDAY ENTERPRISES
P. O. Box 1845
Saginaw, MI 48605
Subject: Work at home plan

82. WORLD OF VALUE SWEEPSTAKES
P. O. Box 88
Athens, OH 45701
Subject: Lottery—Contest

83. RITA FARMER
P. O. Box 670372
Marietta, GA 30066
Subject: Misrepresentation of merchandise

84. GIFT ADVENTURES
P. O. Box 8235
Fort Wayne, IN 46898
Subject: Work at Home—envelope stuffing

85. BENNINGTON PARKE CO.
P. O. Box 215
Mohnton, PA 19540
Subject: Work at Home—Envelope Stuffing

86. BERKSHIRE NUMISMATICS
P. O. Box 18
Reading, PA 19603
Subject: Failure to Furnish Merchandise—Coins

87. AFM WORLD ENTERPRISES
4559 NW 7th St. S-265
Miami, FL 33126
Subject: Work at Home Plan

88. C & J DISTRIBUTING
P. O. Box 3387
Shawnee, KS 66203
Subject: Work at Home Plan

89. H M C
380 Harding Place
Nashville, TN 37211
Subject: Work at Home—Envelope Stuffing

90. INTERNATIONAL RESEARCH
AND
ADELPHI MARKETING, INC.
185 Cross Street
Fort Lee, NJ 07024
Subject: Body Ailments—"Royale Capsule"

91. MUSIC COUNTRY ENTERPRISES
P. O. Box 210261
Nashville, TN 37221
Subject: Work-at Home employment

92. JEFF'S
AND
JEFF'S INTERNATIONAL
P. O. Box 71601
Los Angeles, CA 90071
Subject: Diet Tablets

93. VETERANS NEWS OF MISSOURI
P. O. Box 13675
St. Louis, MO 63138
Subject: Solicitation Advertising

For assistance with postal-related problems of a law enforcement nature, please contact the closest Inspection Service Headquarters.

Postal Inspector in Charge
P.O. Box 16489
Atlanta, GA 30321-0489

Postal Inspector in Charge
P.O. Box 1856
Baltimore, MD 21203-1856

Postal Inspector in Charge
P.O. Box 2767
Birmingham, AL 35202-2767

Postal Inspector in Charge
P.O. Box 2217
Boston, MA 02205-2217

Postal Inspector in Charge
685 Ellicott Square
Buffalo, NY 14203-2545

Postal Inspector in Charge
General Mail Facility
2901 I-85 South
Charlotte, NC 28228-3000

Postal Inspector in Charge
433 W. Van Buren St., MPO
Chicago, IL 60669-2201

Postal Inspector in Charge
P.O. Box 2057
Cincinnati, OH 45201-5001

Postal Inspector in Charge
P.O. Box 5726
Cleveland, OH 44101-0726

Postal Inspector in Charge
P.O. Box 329
Denver, CO 80201-0329

Postal Inspector in Charge
P.O. Box 566
Des Moines, IA 50302-0566

Postal Inspector in Charge
P.O. Box 119
Detroit, MI 48232-3201

Postal Inspector in Charge
P.O. Box 1230
Ft. Worth, TX 76101-1230

Postal Inspector in Charge
P.O. Box 3535
Harrisburg, PA 17105-9000

Postal Inspector in Charge
P.O. Box 2169
Hartford, CT 06145-2169

Postal Inspector in Charge
P.O. Box 1276
Houston, TX 77251-1276

Postal Inspector in Charge
Suite 303
3737 North Meridian
Indianapolis, IN 46208-4395

Postal Inspector in Charge
P.O. Box 1606, GPO
Kansas City, MO 64141-1606

Postal Inspector in Charge
P.O. Box 3180
Memphis, TN 38173-0180

Postal Inspector in Charge
P.O. Box 520772
Miami, FL 33152-0772

Postal Inspector in Charge
P.O. Box 788
Milwaukee, WI 53201-0788

Postal Inspector in Charge
P.O. Box 509
Newark, NJ 07101-5901

Postal Inspector in Charge
P.O. Box 51690
New Orleans, LA 70151-1690

Postal Inspector in Charge
P.O. Box 555
James A. Farley, GPO
New York, NY 10001-7801

Postal Inspector in Charge
P.O. Box 24005
Oakland, CA 94623-1005

Postal Inspector in Charge
P.O. Box 2000
Pasadena, CA 91102-2000

Postal Inspector in Charge
P.O. Box 7500
Philadelphia, PA 19101-9000

Postal Inspector in Charge
P.O. Box 20666
Phoenix, AZ 85036-0666

Postal Inspector in Charge
1001 California Avenue
Pittsburgh, PA 15290-9000

Postal Inspector in Charge
P.O. Box 4487
Portland, OR 97208-4487

Postal Inspector in Charge
P.O. Box 25009
Richmond, VA 23260-5009

Postal Inspector in Charge
200 Hanley Road, 10th Floor
St. Louis, MO 63199-2201

Postal Inspector in Charge
P.O. Box 64558
St. Paul, MN 55164-2201

Postal Inspector in Charge
P.O. Box 2110
San Diego, CA 92112-2110

Postal Inspector in Charge
P.O. Box 882000
San Francisco, CA 94188-2000

Postal Inspector in Charge
P.O. Box 3667
San Juan, PR 00936-9614

Postal Inspector in Charge
P.O. Box 400
Seattle, WA 98111-4000

Postal Inspector in Charge
P.O. Box 22526
Tampa, FL 33622-2526

Postal Inspector in Charge
P.O. Box 1820
Washington, DC 20066-9000

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UNITED STATES POSTAL SERVICE
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POSTAL INSPECTION SERVICE

law enforcement report

Spring 1986

P1. 29/2:

The Law Enforcement Report is published quarterly by the Postal Inspection Service in the interest of informing the public of postal crimes. It features primarily mail fraud cases, consent agreements and civil administrative orders, although other postal-related investigations, such as post office burglaries, holdups, mail order pornography and bomb mailings, are featured. Distribution of the Report is made to newspapers, Better Business Bureaus, Chambers of Commerce, consumer organizations, law enforcement agencies, and members of the public involved with direct mail marketing.

For assistance with a postal related problem of a law enforcement nature, a list of Inspection Service field locations appears in the back of the Report.

Charles R. Clauson
Chief Postal Inspector

CHIEF POSTAL INSPECTOR
Washington, DC 20260-2100

CHILD PORNOGRAPHY—INVESTIGATIVE UPDATE

The exploitation of children through pornography is a continuing tragedy that criss-crosses social and economic classes, with little regard for the enduring grief and trauma it brings to its victims. We have come to realize that child pornography is not simply an "art form;" rather it is a manifestation of aberrant behavior resulting in the sexual molestation and abuse of children. Prior to the late 1970s, most Americans were unaware of the large-scale commerce in films and photographs depicting children in explicit sex acts. Up to that time, the bulk of pornographic material used adult models to produce so-called "men's" magazines and films.

Then the demand shifted and during the past several years, there has been an increased awareness of the proliferation of sexually oriented materials involving the use of children. These materials graphically depict children, as young as two years of age, engaged in a variety of explicit homosexual and heterosexual activities appearing in full color magazines, slides, movie films and video tapes.

Due to public outcry and a series of well-publicized incidents involving child exploitation and abuse, state and local law enforcement efforts have all but eliminated the over-the-counter sale and/or viewing of child pornography throughout the country. But the clandestine purchase and trafficking of this type of merchandise readily adapts itself to the use of the mail by virtue of the anonymity afforded to both the sender and the addressee. It is this cloak of anonymity that has given the purveyor of child pornography the impetus to continue his trade.

Unlike commercial adult obscenity dealers, domestic child pornographers rarely, if ever, openly advertise or solicit new business. Their operations are underground and restricted in many instances to dealing with known pedophile customers. In fact, child pornography exists only for the pedophile. A pedophile is defined as one who has an abnormal sexual desire for children and, as a group, they are the major producers, distributors and consumers of child pornography. Reduced to its simplist form: no pedophiles—no child pornography. Child pornography is a permanent record of the sexual abuse and exploitation of a child and the dangers of the sexual exploitation of children cannot and should not be minimized. This most despicable of crimes—crimes against children—results in physical and emotional suffering and ruined lives. These crimes are perpetrated by the pedophile.

The problem of sexual abuse and exploitation of children falls into three broad categories:

a. Physical sexual involvement with children by adults: This involvement includes the "flasher" or exhibitionist who exposes himself to children, the child abuser, and the "boy lover," or pederast. The latter is a member of a group of adult males who, for varying psychological or emotional reasons, are physically and sexually attracted to young boys. Rarely does a pederast physically abuse a child. Although he does engage in sexual acts with the child, the pederast apparently does not consider this to be a form of abuse. It is not uncommon for a pederast to be more attentive to the wishes of the boy and to devote much more time to him than would normally be given by a parent. Strangely, the attraction often is generally restricted to a very narrow age range. Some men may be interested in a boy or boys in the 9 to 11 year old age group only. When a boy grows beyond that age limit the attraction often disappears. Some psychologists and psychiatrists believe that although pedophilia may be treatable, it also may be incurable. The child molester is an adult male who prefers to satisfy his sexual desires by physical sexual activities with female children. (A small number of cases involve adult females with male children.) An incestuous family relationship may belong in this group. Recently, Postal Inspectors arrested a person who was making homemade obscene movies of his young step-daughters and several neighborhood children, ages 9-14.

b. Child Prostitution: Some law enforcement authorities believe that the prevalence of child prostitution is a far greater problem than may be presently conceived by the public. While Inspection Service investigations and jurisdiction are not directly related to this problem, it is not uncommon for an Inspector to be faced with it when pursuing a child pornographer.

c. Child Pornography: There are different views and opinions about the role child pornography plays in the world of pedophilia. The law provides that the production and distribution of child pornography is an act of sexual exploitation against the children involved. Most of the cases investigated by Postal Inspectors will involve the use of the mails to transmit child pornography.

Use of the mails in the distribution of child pornography perpetuates the sexual abuse and exploitation of the children involved. Pedophiles believe there is nothing wrong with what they are doing, so naturally they are looking for other individuals who support their thinking. A pedophile will use "kiddie porn," both private, original material and commercial material, to seduce other children into participating in sexual activity with the pedophile. The book "Show Me," published in the U.S. by St. Martin's Press, is commonly used in the seduction process and Postal Inspectors have routinely recovered this publication during searches of pedophiles' residences.

Members of the underground subculture of pedophiles sometimes join together in loosely knit groups for the purposes of trading children and/or material. The extremes sometime take an educational and sophisticated approach and form "organized groups" to promote their interests., e.g. *Nambla* (North American Man-Boy Love Association — advocates laws that would abolish a minimum age of consent for sexual acts; *Rene Guyon Society* which has a motto of "Sex Before Eight Before Its Too Late;" P.I.E. (Pedophile Information Exchange) — circulates a *newsletter* worldwide acting as a contact agency for pedophiles; *Lewis Carroll Collectors Guild* — Publishes *Wonderland,* a pedophile-oriented newsletter. *Childhood Sensuality Circle, Kalian, Kids Who Swing,* and Erotic Youth Network are just a few of the groups that advocate sexual liberation of children.

The use of the mail by pedophiles has long been recognized by Postal Inspectors as a mainstay of their psychological support base. Letters provide a vehicle whereby the individual pedophile can share expressions of sympathy with one another, yet sufficiently protect his need for anonymity. As interpersonal relationships grow slowly through correspondence, confidence builds. This confidence leads to an exchange of fantasies and accounts of actual sexual encounters with children. Further, this confidence often leads to an exchange of child pornographic materials, through the U.S. mails. Numerous investigations have led to the recovery of this type of correspondence in the possession of offenders who were arrested for trafficking in child pornography.

When, during the course of an investigation, sufficient probable cause has been developed to indicate that a suspect has violated the child pornography statutes, a federal search warrant is sought for the suspect's residence. Execution of search warrants usually leads to the recovery of child pornographic material and quantities of sexually oriented correspondence. Of late, it has not been uncommon for Postal Inspectors to seize personal computers and related materials that had been used to store data bearing on the identities of other pedophiles with whom the offenders have been in contact. Recent investigations, however, have revealed that pedophiles employ personal computers for purposes extended far beyond the mere storage of data. They are using them to carry out "private" conversations with persons of similar proclivities in communicating their sexual interest in and activities with children. The contemporaneous nature of this mode of communication, while satisfying the pedophile's need for anonymity, facilitates the rapid development of relationships between pedophiles. These relationships are further strengthened when spontaneous dialogue is offered through computers as compared to letters sent in the mail. Investigation into the activities of pedophiles who use personal computers has just begun so it is premature to judge the full impact of the role of this tool in the sexual exploitation of children.

Child pornographers and pedophiles come from all walks of life. The occupations of some of the offenders arrested by Postal Inspectors include, teachers, lawyers, law enforcement officers, clergymen and businessmen. Some have occupations bringing them into frequent contact with children. Many hold respected positions in their community and have concealed their interest in child pornography for years. Hobbies of offenders include little league baseball and football coaches, dance instructor, Boy Scout leader, Big Brother, babysitters, volunteers firemen and amateur photographer.

Who are the victims? Despite a popular notion that runaways and children from broken homes are the main targets of pedophiles, that is not the total answer. Just as often, the victim is the child "down the street" who has been seduced into a relationship by a trusted adult and then hides the fact because of guilt, shame, blackmail or in some instances, because for the first time in his life, he has received attention and what is interpreted to be affection from an adult.

In 1978, the *Protection of Children Against Sexual Exploitation Act* became law (18 U.S.C. 2251-2253). It was the culmination of years of effort by Congress, the Department of Justice, concerned members of the public and the law enforcement community to take action against the pernicious effects of pornography and the sexual exploitation of children. Seven years later, the *Child Protection Act of 1984* amended the original act and put more "teeth" into the statutes against child pornography. Now, it is no longer necessary to prove child pornography is obscene; the requirement that child pornography be transported "for sale or distribution for sale" has been removed; and, of great importance to the attempts to put child pornographers out of business, certain property, including profits and proceeds from the pornographic activity of the pedophile, can be civilly or criminally forfeited. For the first time, the legal authority to take the profit out of child pornography exists. Congress recognized that to combat the traffic in the sexual exploitation of children, the economic benefits had to be removed, so, in addition to prosecuting the child pornographer, he can also be deprived of his property and/or profits obtained as a result of his criminal acts.

In conducting child pornography investigations, Postal Inspectors maintain close contact with local police, other state and federal law enforcement agencies, and social workers who, due to their work, frequently become aware of child abuse and/or child pornography. Evidence is examined such as mailing lists seized during the execution of search warrants in an effort to identify persons interested in this type of material. Once an individual or firm is identified as possibly using the mails to distribute child pornography, Postal Inspectors use various undercover techniques to correspond with child pornography suspects, with the ultimate goal of obtaining child pornography through the mail. If other offenses such as child abuse are discovered during an investigation, this activity is immediately referred to appropriate local authorities for further attention. In 1985 the Inspection Service conducted 176 child pornography investigations resulting in 178 arrests and 141 convictions.

The Inspection Service has a pornography specialist in each of its 39 field divisions. They have been provided training that includes information from noted experts both in the law enforcement and behavioral science communities. The training process is conducted on a continuing basis to ensure the Inspectors assigned to pornography investigations consistently maintain and improve their expertise in this area.

The Postal Inspection Service cooperates with other federal, state and local departments and agencies who share a common interest in combatting the production and distribution of child pornography and sexual exploitation of children. It also has a close working relationship with the National Center for Missing and Exploited Children. Postal Inspectors have participated as members of the President's Working Group on Pornography, and just recently a Postal Inspector was an investigator for the Attorney General's Commission on Pornography to consider the impact of pornography on society. In addition, the Inspection Service was part of a federal agency team that visited several European countries to solicit their help in solving our country's child pornography distribution problem.

The U.S. Postal Service and the Department of Justice agree that the investigation of sexual exploitation of children and child pornography should receive high priority attention. Only through an intensive program, involving all concerned law enforcement agencies can this form of child abuse be totally eliminated.

STATE REPORTS

State reports featured in this publication are representative of a variety of civil and criminal investigations carried out by the Postal Inspection Service and are not all-inclusive of its activities during the quarter.

ALASKA

ANCHORAGE—Three Guilty in Bribery/Racketeering Scheme (Fall 1985 Report): Richard M. Crowson, a Seattle businessman and attorney; Claude P. Marshall, former president of Alaska Brick Company, a Sealaska Native Corporation subsidiary; Kenneth N. Martinson, former comptroller of Alaska Brick Company; and John M. Day, an Idaho businessman, were charged on August 14, 1985 with multiple counts of mail and wire fraud and RICO violations. The indictment charged that from about October 1, 1980 until November 16, 1983, Crowson bribed the three former Sealaska Corporate officers offering them kickbacks totaling $1.7 million if they would arrange contracts between his business and Pac West. Following a 16-day jury trial in the District of Alaska at Anchorage on February 25, 1986, Crowson was found guilty on 19 felony counts in connection with the racketeering scheme to defraud Sealaska Native Corporation. He was also found guilty of two counts of wire fraud, six counts of mail fraud, and one count of conspiracy to impede the IRS. Previously, on January 24, 1986, John M. Day appeared in the same court and entered a plea of guilty to one count of conspiracy to impede the IRS. On January 30, 1986, Claude P. Marshall entered a plea of guilty to one count of RICO and one count of conspiracy to impede the IRS. The indictment against Kenneth N. Martinson was dismissed on February 5, 1986 prior to his being called as a witness for the prosecution. The guilty verdict and pleas were the culmination of a two-year grand jury investigation. A task force headed by the Internal Revenue Service conducted the investigation jointly with the Postal Inspection Service and FBI.

ARIZONA

PHOENIX—Promoter of "Free Vacations" Sentenced: On March 17, 1986, in United States District Court, Hyman Henry Weiss was sentenced to serve two years imprisonment for his conviction on one count of mail fraud, one count of using a fictitious name and one count of use of a false social security number. Weiss was arrested by Postal Inspectors on September 18, 1985 for operating a scheme in which thousands of people nationwide were offered by mail phony "free vacations." Weiss mailed over 300,000 postcards at a time using such names as Continental Vacations, American International Travel, World Class Travel and Trans Global Travel. Although the postcards touted a "free vacation," customers were required to pay $19.95 to $29.95 for handling, postage and processing. Payment of that sum brought the customer a reservation form from which they would select the location and date of their vacation. To actually make reservations, an additional $15.00, plus processing costs was required. Weiss admitted in court that no more than four to six people actually received vacations under this offer. Postal Inspectors acknowledged that thousands of complaints were received concerning this scheme which probably represents only a small percentage of the total number of persons victimized. The scheme preyed previously on people who could not afford a vacation, but were seduced by the "free" claims of the promotion.

CALIFORNIA

LOS ANGELES—Manager Convicted for Participation in Million Dollar Life Insurance Fraud: A federal jury returned a guilty verdict on April 14, 1986 against Gerges Soliman of Culver City, CA, after a three-week trial, for his participation in a scheme that defrauded United Insurance Company of America of over one million dollars. Soliman was a supervisor of insurance sales agents in United Insurance Company of America's Bel Air District between 1977 and 1983. In November 1980, sales agent William Ekaireb, who is presently serving a ten year sentence, was assigned to Soliman. Ekaireb advised Soliman that he was submitting fraudulent death claims based on phony State of California death certificates. Soliman agreed to join Ekaireb in the scheme for a 30% cash cut. Over the next two and a half years, Ekaireb and Soliman processed 170 fraudulent claims totaling over approximately $340,000. Soliman is the last of six defendants to be convicted in the United Insurance scam. Jacob Fell of Mission Hills, CA; Joseph Sabbagh of West Covina, CA; and Ignacio Cano of Pico Rivera, CA, who were indicted along with Soliman on January 16, 1986, have entered guilty pleas to one count each of interstate transportation of stolen property. (Inspector N.W. Helmer)

LOS ANGELES—Guilty Verdict in Phony Credit Scam: On January 10, 1986, Steven Schwartz was found guilty of seven counts of mail fraud. Beginning in February 1984, and continuing through November 1984, Schwartz, operating as RTJ Enterprises, Inc., in Agoura, CA, used the mail to defraud wholesale suppliers throughout the

United States. RTJ Enterprises mailed unsolicited orders to hundreds of suppliers requesting specific merchandise on account. Attached to the purchase order was a credit application which contained totally fictitious information and credit references. These references all were found to be telephone answering services and private mail receiving agencies rented by Schwartz. The legitimate wholesale suppliers would telephone or write the phony references and, based upon the excellent reports received, would advance RTJ Enterprises a line of credit. Merchandise would be shipped to RTJ Enterprises and then never paid for. Most suppliers would submit to RTJ Enterprise the usual dunning notices and finally, after months of waiting, would initiate collection procedures. By this time, RTJ Enterprises had vacated their premises without leaving any forwarding address. This investigation developed 158 known victims who were defrauded out of approximately $400,000 in merchandise. (Inspector M.H. Kingery)

LOS ANGELES—Real Estate Swindler Sentenced (Winter 85/86 Report): On January 6, 1986, Sidney Binder, of Laguna Beach, CA, was sentenced to serve two and one-half years in prison following his mail fraud conviction. Binder was also ordered to serve five years probation and make restitution to his victims by a schedule to be determined by the court. Co-defendant Daniel Leffler's sentencing was postponed pending his cooperation with the FBI in another related investigation. The men were convicted of operating a real estate fraud between 1979 and 1982 that caused 400 victims to lose over $6 million. Binder and Leffler sold overvalued land in Los Angeles and San Bernardino Counties, but concealed the fact that underlying mortgages prevented the investors from securing clear titles to the property. The men also claimed that the land included hookups for water, sewer, and electricity, when in reality, those amenities did not exist.

LOS ANGELES—"Ponzi" Operator Guilty: On March 14, 1986, in United States District Court, Patrick G. Foster pleaded guilty to five counts of mail fraud. Foster, using the business name, "United Investors," operated a classic Ponzi scheme. His solicitation claimed United Investors was involved in investment programs valued at $5 billion and promised a 12-fold return on investments in 20 weeks. In a four-month period in late 1982, Foster defrauded unsophisticated investors throughout the United States of over $100,000. As in most Ponzi schemes, early investors were heavily recruited to solicit others to invest in the scheme. One of the largest groups of victims was the hearing impaired in the Southern California area. (Inspector M.H. Kingery)

LOS ANGELES—Flewitt Pyramid Collapses (Reference Spring 1985 Report): C. Scott Flewitt and his son, B. Todd Flewitt, both of Edmonton, Alberta, Canada, were each sentenced on January 21, 1986, to 15 years imprisonment. The sentence stemmed from an eleven-count indictment for violations of the Mail Fraud Statute. On October 29, 1985, C. Scott Flewitt was found guilty on all eleven counts of the indictment and his son, B. Todd Flewitt, was found guilty on seven of the eleven counts listed in the indictment. Another son, D. Miles Flewitt was acquitted by the jury on October 28, 1985. The scheme operated by the Flewitts involved over 2,000 victims, who lost approximately $600,000. The three fleeing Flewitts were apprehended at Sweet Grass, MT, on January 22, 1985, just as they were preparing to cross the Canadian border. Based on arrest warrants obtained by U.S. Postal Inspectors in Los Angeles, CA, the U.S. Border Patrol also seized two 1984 Firebirds driven by the Flewitts at the time of their arrest on the premise that they were undocumented aliens engaged in moving their business effects. In early 1983, the Flewitts operated a Los Angeles business known as Concept Marketing International (CMI). CMI distributed a brochure through the U.S. Mail which offered work-at-home opportunities by enrolling in their profit-oriented "programs." The first program, termed "Success Kits," required all participants to mail at their own expense these kits to a list of addressees which CMI provided. The participant was to receive $5.00 for responding to CMI after receiving the "Success Kit." Additionally, the original participant was to receive $5.00 per each "downline" participant that responded to mailings caused by the original participant. A second program generated and operated by the Flewitts was called the "Concept Marketing International Showcase Program." This offering was a product marketing program in which participants and members were to receive profits based upon purchases by other participants further down the line. The "catalog," which never existed, offered appliances, petroleum products, kitchenwares, books, stereo/video equipment and automotive accessories; however, the investigation revealed that the catalog and their products never existed. The Flewitts had been indicted by a federal grand jury on February 13, 1985.

LOS ANGELES—Thirteen Indicted in Alleged Office Supply Scheme: On February 6, 1986, a federal grand jury returned a 76-count indictment charging the following individuals with mail fraud, use of fictitious names in furtherance of a scheme to defraud, and conducting an enterprise through a pattern of racketeering (RICO):

Sheldon Lawrence Block
Sharon Lynn Castro
Steven Allen Yatomi
Stuart Harris Schechter
Emanuel Schechter
David Francis Robertson
Barbara Audrey Kieserman
Brian Alan Lushing
John Franklin Cox
Daniel D. Brown
Douglas John Parsons
Vincent James Baca
James Nelson Anders

The defendants—representing the president, managerial personnel, and six high level sales personnel—allegedly operated an office supply telemarketing fraud commonly known as Park Distributing. Marketing photocopier supplies under such trade names as General Data, Data Supply, Distributor's Office Supply, Data Graphics and approximately 25 other trade styles, the operators allegedly victimized thousands of firms across the nation, misrepresenting themselves as a familiar supplier of brand named merchandise at discount prices. Having acquired payment on the first shipment, sales personnel would allegedly foist on the unsuspecting victims additional unauthorized merchandise under the guise of a back order or a "balance due" on their original order. Park Distributing ranked among the largest office supply telemarketing schemes in the nation employing some 200 personnel in nine offices in California, Arizona and Colorado. From April 1981 to November 1985, its sales revenue totaled 35.4 million dollars. On September 5, 1985, nine branch office sales managers were indicted in the same scheme. All pleaded guilty to single counts of mail fraud in the fall of 1985. Two customer service/collection managers similarly pleaded guilty to a two-count indictment in December 1985 and agreed to cooperate in the government's investigation. Twenty-four individuals have now been arrested as a result of this investigation and this indictment brings to prosecution an investigation begun December 1982. The indictment is unprecedented in its application of the RICO statute to four of the principals as it provides for the foreiture of property and other assets allegedly derived from the scheme. (Inspector L.B. Johnson).

LOS ANGELES—Boiler Room Operator Guilty: Victor P. Eschback was convicted March 13, 1986, on 10 counts of mail fraud following a three-day trial in Los Angeles. The two-part scheme involved fraudulent telephone boiler room solicitations for free prizes which were never delivered. The scheme's first part involved Eschback using the name of Magnum Industries when victims were called and told they were one of twelve finalists in a contest for free prizes and guaranteed to win a $5,000 cashier's check, a "Hobie Cat" sailboat or $7,500 cash equivalent, or a Lincoln Town Car. The victims were also told they could avoid federal gift tax liability by purchasing pen-and-pencil sets costing between $298 and $390 which would be mailed COD. The prize drawing usually was set approximately 60 days from the date of the telephone call. The second part of this scheme involved the use of a company called RAMCO. The same victim again was called and told that the owner or president of Magnum Industries had suffered a heart attack and that RAMCO, the parent company of Magnum Industries, would proceed with the contest drawing, but RAMCO was required to have a current invoice on file which required the victim to purchase a second pen-and-pencil set for $298 or $390. An identical sales pitch was then given for the second purchase, but the prize inducement was escalated to $10,000 cash, a Cherokee airplane, or a Blue Bird Motorhome. A new drawing date was then set for 60 days from the date of the telephone call.

LOS ANGELES—Robber Sentenced: On February 24, 1986, in United States District Court, Anthony Carly was sentenced as follows: Count 1—25 years suspended and five years probation; and Count 2—five years with no parole to begin February 24, 1986, with no credit for time served prior to February 24, 1986. The sentencing followed the January 21, 1986 conviction of Carey for armed robbery of a USPS letter carrier and carrying and using a firearm during a crime of violence.

LOS ANGELES—Fugitive Arrested for Role in Boiler Room Scam (Reference Fall 1985 Report): Thomas Rolph, aka Bela Mersik, was arrested on the evening of February 26, 1983. Rolph, who has been a fugitive since his indictment in August 1985, was detained by Customs officials at Los Angeles Airport upon his arrival from Budapest, Hungary. During late 1984 and early 1985, Rolph had been in charge of the shipping operations for Superior Marketing, Pacific Supply, and Trans American Promotions, company names for COD boiler rooms which "awarded" worthless gift certificates to victims throughout the United States. Two of Rolph's co-defendants, Laszlo Bossanyi and Akos Deak, were sentenced to five years in prison on December 2, 1985. Deak fled shortly before sentencing and is believed to be in Budapest.

OAKLAND—Time Share Operators Sentenced: The Winter 85/86 issue of the *Law Enforcement Report* detailed the indictment and conviction of Vacation Exchange International, Inc., and Robert Scott Alprin, the firm's owner and president, for violations of the Mail Fraud Statute. On January 23, 1986, Alprin was sentenced to five years in prison to be followed by five years probation on four counts of mail fraud. Alprin was also fined $23,000 on the remaining 46 counts of mail fraud and ordered to make restitution of $6,259 to the victims named in the indictment. Vacation Exchange International, Inc., was fined $37,000 for its conviction on 37 counts of mail fraud. The company, which moved from Lake Tahoe, CA, to Denver, CO, in January 1985, and remained in operation throughout the period of indictment and trial, has recently ceased operations and is filing for bankruptcy. Sentencing for two other sales persons is pending while a fifth defendant, Frank Anthony Dutra, fled prior to trial and is still a fugitive.

SAN FRANCISCO—Five Receive Stiff Sentences for Treasury Check Thefts: Five men were sentenced March 21, 1986, in U.S. District Court in connection with massive thefts of U.S. Treasury checks from the mail over a three-year period. The five were part of a conspiracy involving the thefts of more than 19,600 Treasury checks with a face value of over $19 million from local postal facilities. Three of the men—Edgardo Aure, Montano Dimaranen, and Michael Levias—were former postal employees at the San Francisco Air Mail Facility. The other two individuals, Reynaldo Cuevas and Antonio Velasquez, were primarily responsible for the transportation of the stolen checks to the Philippines. The checks were then sold to other middlemen and subsequently altered to reflect current dates and inflated amounts. The stolen Treasury checks were negotiated all over the world including the Philippines, Hong Kong, Malaysia, Singapore, London, Switzerland, and West Germany. Approximately $43 million worth of additional checks were seized by government agents prior to negotiation. The sentencing was the culmination of a three-year investigation by the Postal Inspection Service, the U.S. Secret Service, and the U.S. Attorney's office. Levias, a former mail handler at the San Francisco Airport Mail Facility, was sentenced to ten years in prison and $15,000 in fines. Dimaranen was sentenced to nine years imprisonment and $4,000 in fines. Aure, a former postal supervisor, received a sentence of nine years and $12,000 in fines. Cuevas, an Oakland automobile salesman, received a seven-year sentence and $15,000 in fines. The fifth defendant, Velasquez, a custodian at a San Francisco school, received a sentence of seven years and $10,000 in fines. There have been no large thefts of government checks in the Bay area since the arrests were made in July 1985.

DELAWARE

WILMINGTON—Complex Fraud Nets Two Guilty Pleas (Winter 85/86 Report): On November 13, 1985, a federal grand jury returned an 11 count indictment against Steve M. Scott and his company, U.S. Metals, Inc. of Houston, Texas, stemming from an investigation concerning an alleged kickback scheme which victimized the Benjamin F. Shaw Company of Wilmington, DE. The indictment alleged that Scott defrauded the Benjamin F. Shaw Company by paying kickbacks to W. Robert Short, the former purchasing manager of the Shaw Company, in return for directing business to U.S. Metals, Inc., operated by Scott. U.S. Metals, Inc., a pipe fabricating company, allegedly charged the Shaw company inflated prices for materials and used the excess funds to pay Short approximately $64,932.00 in kickbacks through WRS Limited, Inc., a dummy corporation set up by Short to receive these funds. Short has subsequently reached an agreement with the government and will be charged later. In a related development within this investigation, William Jay Cornelius of Birmingham, Alabama, was found guilty of one count of conspiracy to commit mail fraud, and two counts of obstruction of justice, and two counts of perjury in a jury trial. Cornelius' company, of which he is president and major owner, was also found guilty of one count of conspiracy to commit mail fraud. These charges were directly related to the activities of W. Robert Short. Also related to this investigation was the guilty plea of Louis Pasqual Canuso of Moorestown, NJ. Canuso pleaded guilty on December 18, 1985, to a two count Information (one count of mail fraud and one count of conspiracy). Canuso, doing business as Louis P. Canuso, Inc. of Deptford, NJ, was a vendor to the B.F. Shaw Company. In this matter, Canuso used the mails and conspired with W. Robert Short to defraud the Shaw company of more than $110,000. On February 4, 1986, Scott changed his plea to guilty to one count of mail fraud and one count of perjury. He also entered a guilty plea to one count of mail fraud for his company. (Inspector L.P. Christensen)

WILMINGTON—Officers and Companies Charged With Kickback Schemes: Two more individuals and their respective companies were indicted February 13, 1986 for an alleged kickback scheme which victimized the Benjamin F. Shaw Company of Wilmington, DE, and its customers. Named in the indictments were Vern F. Baumann and his company, Baumann Coatings, Inc. of Bessemer, AL, and Jerome T. Gans and his firm, Atlanta Engineering Company of Brooklyn, NY. The indictment against Baumann charged him with five counts of mail fraud, one count of obstruction of justice, and one count of conspiracy. The indictment also charged Baumann's firm with five counts of mail fraud and one count of conspiracy. This indictment alleged that from 1979 through February 1984, Baumann and his company along with W. Robert Short, the former purchasing manager for the Shaw Company, carried out a scheme to defraud customers of the Shaw Company of money and property. The indictment charged this scheme was carried out through the issuance and mailing of purchase orders to Baumann Coatings, Inc. wherein higher prices were used than originally quoted by the Baumann Company. The indictment further alleged that as part of the scheme, the B.F. Shaw Company would then pass on many of the falsely inflated costs to its customers. W. Robert Short and Baumann allegedly agreed to so-called "volume discounts," which depending upon the amount of business conducted, would be returned to the Shaw Company. As another part of this overall scheme, the indictment purports that Baumann paid $21,628 to the Ellis Marine Company of Lewes, DE, for Short's personal use, and later on March 12, 1985, before a federal grand jury, testified falsely and evasively regarding the payment. In addition to making arrangements through the Ellis Marine Company, Baumann and Short were alleged in the indictment to have devised an intricate scheme involving other pipe supply companies to funnel additional funds out of the Shaw Company. In the second and related indictment, the federal grand jury charged Jerome Gans with one count of obstruction of justice, two counts of mail fraud, and two counts of conspiracy. His company, the Atlanta Engineering Company, was charged with two counts of mail fraud and one count of conspiracy. This indictment alleged that Gans and his company conducted business with the Shaw Company from March 1982 until February 1984, during which time the Shaw Company paid Gans' firm approximately $1.3 million. As part of the scheme, the indictment charged that Gans promised to pay Short $10,000 if Atlanta was awarded a contract to engineer and provide piping supports and hangers for two power plants at the St. Johns Power Park in Jacksonville, FL. As a further part of the scheme, the indictments noted that Gans and Short allegedly concealed the $10,000 payment from the Shaw Company, and made these payments payable to WRS, Limited, a Delaware corporation formed by Short. The indictment further alleged that Gans met with Short and discussed ways by which Short could obstruct and hinder the federal investigation of Short. Gans further agreed to pay Short $10,000 to aid him in his defense against this investigation, and that both Gans and Short would state, if questioned, that all payments were for computer services. The indictment also charged that other payments were made by Gans to Short which totalled $10,000, and that Gans testified falsely before the federal grand jury on March 12, 1985, concerning the payments made to Short's company, WRS Limited. The indictments were a result of a joint investigation with the Postal Inspection Service and the FBI.

DISTRICT OF COLUMBIA

WASHINGTON—Insurance Salesmen Guilty of Fraudulent Sales: On October 30, 1985, Martin St. Denis and his brother Justin St. Denis, each entered a guilty plea to one count of mail fraud. The St. Denis brothers had been employed as insurance agents for the Protective Life Insurance Company of Birmingham, AL. In this capacity they were to sell insurance to civilian or military employees of the federal government in the Washington, DC, metropolitan area. The brothers, in order to obtain advances on sales commissions, falsified documents and forged signatures of federal employees to both insurance company forms and payroll allotment authorizations. By submitting the fraudulent documents to the home office in Birmingham, AL, the St. Denis brothers received commission payments. Submission of the fraudulent payroll authorization allotment forms to federal personnel offices also resulted in changes to employees' insurance coverage. The pair were sentenced on December 20, 1985, to perform community service and placed on three years probation.

FLORIDA

MIAMI—Boiler Room Con Men Enter Guilty Pleas: On March 10, 1986, in U.S. District Court, guilty pleas were entered by the following individuals: Stanley Leffler, Seymour Trank, Ralph Montag, Irving Vanne, Gary Gannet, Leroy Lissauer, Jay Zlotnick, all of whom had been indicted in September 1985 in a 23 count indictment for violation of the mail fraud, wire fraud and conspiracy statutes for their part in a telephone boiler room sales operation known as Nationwide Advertising and Network Promotions. These companies sold advertising specialty items (pens, key chains, etc.), at a price of from $200 to $300 per one hundred items, with the promise that the customer would receive an expensive gift or prize. All seven defendants were sentenced as follows: Leffler, Trank and Montag, the owners, along with Vanne, Sales Manager, were sentenced to one year imprisonment, sentence suspended, three years probation, $1,000 fine, and 500 hours community service under the supervision of the Probation Department. Gary Gannet, Lissauer and Zlotnick, all salesmen, were sentenced to one year in prison (suspended), three years probation, $1,000 fine, and 250 hours community service also to be supervised by the Probation Department. The court further ordered restitution of an amount in excess of $24,000 to be paid to victims of this scheme. (Inspector J.M. Donavan).

MIAMI—Boiler Room Sales Representatives Convicted: After a six-week jury trial in U.S. District Court, guilty verdicts were returned against Vincent Waterhouse, Jean Martinez, Carol Lindenberg, Lynn Simon and Marilyn Rice Jacobs. All had been indicted on April 1, 1985, for mail fraud (18 USC§1341) and conspiracy (18 USC§371), for their part in a telephone boiler room sales operation called Alaska Oil Leases (AOL) which sold oil leases on government-owned land in the Denalai Block in Alsaka. The leases were obtained from the Bureau of Land Management for one dollar an acre and AOL sold them for $250 to $300 per acre by promising that oil companies would buy the leases for large sums of money. Additionally, AOL sales representatives told investors that oil exploration was expected to begin within six months. A total of seventeen individuals have been convicted in this case. Three pled guilty to informations. Of the fourteen indicted, nine previously pled guilty. Telephone boiler room sales continue to be a major concern in the South Florida area, and it is hoped these convictions will have an impact on the problem because the five defendants were salespersons. Previously the traditional approach has been to prosecute the owner/operators of boiler room operations. (Inspector P.E. Feltman)

ORLANDO—Prison for Child Pornographer: Thomas Eugene Baker, Sanford, Florida, was sentenced on January 6, 1986, in federal district court, to three years in prison resulting from his conviction for mailing child pornography. Baker was arrested by Postal Inspectors at Lake Mary, Florida, on July 31, 1985, for violations of Title 18, USC Section 2252, Mailing of Child Pornography. He was found guilty on December 11, 1985, after a three-day trial by jury in Orlando. Prior to his arrest, Baker had been employed as a hypnotist and counselor.

TAMPA—Prison Term for Pornographer: Jack S. Smith was sentenced on January 31, 1986, to five years in prison and five years probation. Smith was arrested by Postal Inspectors on July 19, 1985, for producing and mailing child pornography through the U.S. Mail. Smith and a codefendant Daniel Knous, who has already been sentenced to a three-year prison term, operated a commercial child pornography operation out of their home in Holiday, FL. At least eight minors were sexually abused by Smith and Knous. This was a joint investigation conducted by Postal Inspectors and deputies from the Pasco and Pinellas County Sheriffs Departments.

ILLINOIS

CHICAGO—Trio Charged With Bank Scam: Harold J. Ticktin, President of Manning Services & Loan in Chicago; Paul D. Olson, President of the First Suburban National Bank, Maywood, IL; and James R. Elliott, President of the First Security Bank of Glendale Heights, IL, were charged with a scheme to defraud the various regulators of these financial institutions by allegedly creating bogus transactions which produced fictitious gains. The spurious profits then found their way on the books and records of the banks. These profits inflated the net income and subsequently the net worth of the banks thereby delaying regulators from seizing them. In the case of Manning Savings and Loan, three bogus transactions were made: two oil and gas leases and one involving real estate, totaling approximately $13,000,000 in fictitious profits. This activity allowed Ticktin to avoid forced receivership by the FSLIC. Ticktin allegedly engaged in "quid pro quos" with James R. Elliott and Paul D. Olson, thereby allowing them to also list fictitious profits and avoid forced receivership by the FDIC and the Comptroller of the Currency. Ticktin, Olson and Elliott's alleged activities culminated in three indictments charging them and ten other individuals with mail fraud, wire fraud, bank embezzlement and RICO violations. These indictments culminated a three year investigation conducted jointly by the Inspection Service and the Chicago Office of the FBI. (Inspector J.C. Tomaino).

CHICAGO—Eleven Guilty for Medicaid Swindle: Eleven people, including five doctors, were convicted on January 22, 1986, by a federal jury for either orchestrating or participating in a scheme that defrauded the Illinois medicaid program out of $20 million. Federal prosecutors described the medicaid scheme as the largest in the nation's history in terms of money. The fraud involved medicaid billings to the state for unnecessary treatment and prescriptions. The clinics and pharmacies dispensed codeine and sedatives, that when taken together, produced a heroin-like "high". In addition, large amounts of other items and unnecessary tests were performed on patients who only wanted the syrup and pills, thus further inflating the billings. The 11 people were among a total of 40 that were indicted. Twenty-four pled guilty prior to trial, one physician died prior to trial, and the remainder are pending trial awaiting the results of psychiatric examinations.

SPRINGFIELD—Guilty Plea in Swindle of Elderly (Winter 85/86 Report): James H. Stufflebeam pleaded guilty on April 16, 1986 to three counts of mail fraud. Stufflebeam was indicted on December 9, 1985 and charged with numerous counts of fraud in a scheme which victimized 16 elderly residents throughout central Illinois of more than $70,000. The scheme involved investments in a nonexistent and phony money market fund known as Financial Security Investment Incorporated of Oakbrook, IL. Additional misrepresentations which induced the victims to invest included a guaranteed high rate of interest, IRA tax benefits, as well as the deposits insured by the FDIC. Stufflebeam diverted the fraudulently obtained funds to his personal use and later invested in the commodities future markets for his own personal interest. The guilty plea came on the date that the trial was to begin.

IOWA

DES MOINES—Seven Indicted in Massive Insurance Swindle: From December 1979 through March 1985, Frank E. Duncan and Gary K. Bailey d/b/a Church Insurance Consultants, sold casualty insurance policies on behalf of Lutheran Benevolent Insurance Exchange (LBIE) of Alma, MO, to numerous churches and religious organizations throughout Iowa and Nebraska. Throughout this period Duncan and Bailey allegedly conspired with David D. Sears d/b/a Tri-States Adjusting Corp., as well as Berkley J. McIntyre and Douglas A. DeHaan d/b/a Adjusters Services, Inc., all of Des Moines, to file about 70 false claims through the mail against LBIE in the names of insured churches for nonexistent or inflated fire and storm damage. Losses to LBIE exceeded $2.3 million, making this possibly the largest insurance fraud ever committed in Iowa. In one instance, an insurance policy was written on a fictitious church camp, then an alleged fire destroyed the camp and a subsequent claim for $163,000 was submitted. Adjuster Sears allegedly conspired with James W. Tucker, d/b/a Artisans, Inc., and Robert E. Rishworth, d/b/a RER Fire Services, and others to create false repair documents and to wash funds obtained in the scheme. Sears, DeHaan and McIntyre allegedly created elaborate reconstruction estimates, reports, invoices and photographs to support the nonexistent damage and the nonexistent rebuilding of churches and even an apartment building. The indictment charged that Duncan and Sears usually decided which insured property a false claim would be submitted against, the type of claim, and the amount. Then Sears would adjust the claims and submit the required documentation to Lutheran Benevolent. On October 8, 1985, Duncan and Sears pled guilty to four counts of mail fraud stemming from a three count information filed October 8, 1985 and a 12 count fraud and conspiracy indictment returned July 27, 1985. On November 22, 1985, Berkley J. McIntyre pled guilty to three counts of mail fraud stemming from a 15 count indictment returned September 18, 1985. On October 24, 1985, a federal grand jury indicted Gary K. Bailey for 30 counts mail fraud and conspiracy; Douglas A. DeHaan for seven counts mail fraud; James W. Tucker for six counts mail fraud and conspiracy; and Robert E. Rishworth for six counts mail fraud, conspiracy and blackmail. (Inspector G. F. Allen)

KANSAS

TOPEKA—"Activator" Fraud Nets Two Convictions (Winter 85/86 Report): On March 14, 1986, William F. Wagner entered a guilty plea to one count of conspiracy to violate the Mail Fraud Statute for his involvement in a pyramid scheme which sold thousands of investors in excess of $80 million worth of Activator kits. Wagner was one of twelve individuals indicted by a federal grand jury in Topeka, Kansas, on September 11, 1985. The indictment alleged that the defendants created Culture Farms Inc. of Kansas; Activator Supply Company Inc. of Nevada; and other corporations, and claimed that investors could derive large profits by purchasing a small quantity of white powder called "Activators." The defendants also claimed the cultures grown from these "Activators" could be sold to Culture Farms Inc. in Lawrence, KS, at a great profit to the investor. For example, with an initial purchase of ten Activators at a cost of $350, an investor could expect a potential income of $900 because demand for cultures was allegedly extremely high. In fact, the only demand for cultures was the demand created by the defendants for the purpose of inducing investors to purchase Activators. On April 9, 1986, Roland Nocera pleaded guilty to a similar charge. He was the second of twelve defendants to plead guilty.

LOUISIANA

METAIRIE—Phony Invoices Charged: On January 23, 1986, Albert F. Hilton was indicted by a federal grand jury on two counts of mail fraud in violation of Title 18 USC 1341 and one count of filing false information on income tax returns in violation of Title 26 USC 7206(1). From December 1971 through November 1982, Hilton allegedly defrauded his employer, T.L. James Construction Co. of Ruston, LA, through the submission of false invoices for materials and services allegedly supplied by Industrial Materials Co. of Metairie, LA, which was controlled by Hilton. Industrial Materials Co. was, in fact, a "shell" company which provided no materials and service. Through the operation of the scheme, Hilton allegedly defrauded T.L. James Co. of approximately $409,000. The investigation was conducted jointly by the Inspection Service and the IRS.

NEW ORLEANS—Convictions for Bribery Case Rolling Along (Winter 85/86 Report): On April 4, 1986, John H. Koppa was convicted following a four day trial in the federal district court. Koppa was found guilty on one count of conspiracy to violate the Mail Fraud Statute and to defraud the United States, six counts of mail fraud, and two counts of making false declarations before a federal grand jury. Koppa had been indicted on December 13, 1985 and charged with participation in a commercial bribery and kickback scheme aimed at defrauding Koppa's employer—Pool Offshore Company, an oil and gas drilling and servicing company. Koppa received over $50,000 in money, goods and services from vendors to Pool Offshore. He used his position as manager of drilling operations to direct Pool Offshore's business to the vendors who supplied the bribes and kickbacks. Koppa also allowed the vendors to get reimbursed for the bribes and kickbacks. He then reviewed these invoices and approved them for payment by Pool Offshore. Koppa had testified before a federal grand jury in New Orleans on November 29, 1984 relative to his involvement in the scheme and denied he had received any money, goods, or services from vendors to Pool Offshore. Investigation of this scheme has been going on for two years and has resulted in 14 convictions to date. Kopppa was the first defendant to go to trial in this case.

NEW ORLEANS—Credit Card Scheme Nets Two More Sentences (Reference Winter 85/86 Report): David Webb and Don Blankenship were sentenced on January 15, 1986, following their accepted guilty plea agreements for a $125,000 mail fraud scheme which they conducted against the public. The scheme consisted of companies called ANB LTD., and CNY Sales, offering VISA and Master Card credit cards for a $25.00 fee. Subsequently, respondents never received either a credit card or a refund from the companies involved. Both men were given two and one-half years in prison, fined $10,000 and ordered to pay $10,000 restitution.

NEW ORLEANS—Pair Guilty of Swindling Company Savings Plan: On March 5, 1986, Betty Jones Scott and Leo Williams pled guilty to one count each for violation of the Mail Fraud Statute. Both Scott and Williams were previously indicted by a federal grand jury in the Eastern District of Louisiana on February 7, 1986, for their participation in a scheme to defraud the Exxon USA Corporation in New Orleans. The object of the scheme, beginning around April 1, 1984, and continuing until May 10, 1984, was to obtain funds from Exxon through the submission of false information via an Exxon thrift account withdrawal form which was used to withdraw funds belonging to employees held in Exxon's thrift savings plan. Although the loss was only $12,000 for the month's duration of the scheme, the investigation caused the Exxon Corporation to redefine their procedures used to control and process withdrawals for employee thrift savings plan in order to prevent future fraudulent withdrawals.

MARYLAND

BALTIMORE—Pair Guilty in Narcotics Trafficking: After a four day jury trial in U.S. District Court, Philip G. Al-Mateen was found guilty on January 9, 1986, on importation of cocaine, possession of cocaine with intent to distribute, and use of the U.S. Mails to traffic in narcotics. In a separate proceeeding, co-defendant Maurice Proctor, pled guilty to one count of possession of cocaine with intent to distribute. Postal Inspectors determined that Al-Mateen was receiving approximately 12-15 letter envelopes per week from an unidentified co-conspirator in Colombia, each letter containing 33 grams of high grade cocaine. Proctor controlled the distribution of the cocaine, and is a well known narcotics dealer in the Baltimore area. (Inspectors Reilly and Gattie)

SILVER SPRING—Charges of Fraud for Emergency Care Services: On February 6, 1986, a federal grand jury returned a 16 count indictment against David Harry Ferber for violation of 18 USC, Section 1341, Mail Fraud. Ferber, operating a business under the name of Helpcall, Inc., placed an advertisement for an emergency monitoring service in local newspapers and with several local radio stations. The advertisements, targeted at heart patients, senior citizens, shut-ins, handicapped, and people living alone, claimed that Helpcall covered all 50 states, Puerto Rico, and the Virgin Islands, and that it had a 24-hour communication center staffed by trained operators who would respond to requests for emergency assistance. The cost for this service consisted of a one time equipment leasing cost which ranged from $199 to $299 and a quarterly monitoring fee of $29.95. Many of the subscribers sent their payments to Helpcall through the U.S. Mail. The indictment alleged that Ferber installed no transmitting systems, provided no monitoring service, and failed to refund the money received from subscribers.

MASSACHUSETTS

BOSTON—Brothers Three Sentenced for Work-at-Home Fraud: Three Stoneham, MA, brothers pleaded guilty February 13, 1986 to a two-count information charging them with mail fraud and conspiracy. Sentenced to two and one-half years probation with 1,000 hours of community service were William DeMarco, Richard DeMarco, and Stephen DeMarco. The three brothers devised a scheme to defraud over 5,000 people throughout the United States of approximately $105,000 by soliciting money from people through newspaper advertisements for fraudulent work-at-home schemes. They operated under the names: Royal Publishers, Century Publishers and Imperial Publishers, all in Massachusetts. Also defrauded were at least 21 newspapers who accepted the fraudulent advertisements. The three DeMarcos promised to pay people for "processing mail" in their own homes and invented fictitious companies to induce people to mail "application fees for employment" by the fictitious companies. Prior to initiating their scheme using the names Royal, Imperial and Century Publishers, the DeMarco Brothers were engaged in similar schemes that were halted by the Postal Service's civil administrative proceedings.

BOSTON—Sentence for Child Pornographer (Reference Winter 85/86 Report): Mark Lawrence was sentenced February 25, 1986, in federal court. Lawrence, who pleaded guilty on January 24, 1986, to two counts of a five count indictment charging him with violations of the Sexual Exploitation of Children Act, Title 18 USC, Section 2251 et seq., was sentenced to three years imprisonment on each count, three years suspended and two years probation. The two counts for which he was sentenced were receiving via the U.S. Mail photographs of minor males engaged in sexually explicit conduct and inducing a minor male to photograph himself while involved in sexually explicit conduct and mailing the photographs to Lawrence in exchange for money.

BOSTON—Ponzi Scheme Operator Sentenced to Nine Years (Fall '85 Report): On March 24, 1986, Nadine Gan of Chicopee, MA, who previously pleaded guilty to a twenty-three (23) count indictment, was sentenced to serve nine years in prison for securities fraud, mail fraud, wire fraud, travel fraud, tax evasion and false returns. Nadine Gan operated investment clubs named Cooperative Investment Club and New Horizon Club, in which she sold shares claiming that the money was to be invested in the commodity market by a secret philanthropist and would earn 200% to 320% per year. From 1979 to 1982, Gan took in more than 2.5 million dollars from approximately 800 investors throughout the country, but kept approximately $800,000 for her personal use.

BOSTON—Attorney Goes to Prison for Phony Accident Scam: Attorney Jerril J. Krowen was sentenced January 7, 1986, to serve three years in prison for his role in a mail fraud scheme to defraud insurance companies in auto accident cases. Krowen had been convicted November 25, 1985, of 15 counts of mail fraud following a four week trial. He had been charged with having participated in a scheme from 1976 to 1981 to use false, inflated and backdated medical bills and reports in the settlement of an estimated $1.4 million in fraudulent auto accident claims. Previously convicted M.D. Steven Hershenow and Chiropractor Stuart Rosenthal testified at trial that they prepared and submitted false medical bills to Krowen and that they additionally kick-backed to Krowen 25% of the payments they received.

MICHIGAN

DETROIT—Trio Sentenced for Boiler Room Scam: On April 10, 1986, Gerald E. Grace, Francis John Cogley Jr. and Thomas M. Divozzo appeared in U.S. District Court for sentencing after being found guilty of mail fraud, wire fraud, and interstate transportation of money taken by fraud. The charges against the three arose from their operation of a telephone boiler room in West Bloomfield, Michigan. Operating under the name North American Lease Acquisition Inc., the defendants purported to sell leases of oil and gas rights on federal land in Alaska for $100 per acre. Grace was manager of the office and the other defendants were salesmen. The defendants told customers that the land contained oil and gas and that oil companies would contact them shortly to buy their leases. They promised that at a minimum, customers would triple their money in a year. Seduced by dreams of huge profits in a two and half month period, 24 people either mailed and wired over $100,000 to North American Lease Acquisition. In fact, oil and gas rights on the Alaskan land could be purchased directly from the Bureau of Land Management for a $75.00 application fee, plus $1.00 per acre yearly rent. The oil and gas rights are leased by the government for nominal sums only because the land is believed *not* to contain commercially useable quantities of gas and oil. Grace was sentenced to seven years imprisonment, Cogley to two years in prison, and Divozzo to 18 months imprisonment. All three were ordered to make restitution. The investigation of this case was coordinated with the Office of Inspector General, Department of the Interior.

MINNESOTA

ST. PAUL—Advance Fee Swindler Sentenced (Winter 85/86 Report): On February 14, 1986, Cherly K. Hoa, aka Kookie Hoa, was sentenced in federal court to seven years imprisonment to be followed by five years probation with the special provision that release from probation is subject to $50,000 restitution. The case involved an advance fee scheme in which approximately 30 victims were induced to pay Hoa fees exceeding $560,000 for arranging loans and providing collateral for those loans. Hoa, operating as "THAT" corporation in St. Paul, represented to the victims she was from an extremely wealthy Chinese family and had control of a vast amount of gold bullion. The collateral she offered, however, was in the form of gold certificates which could never be authenticated; therefore, no loans were ever obtained by the victims.

ST. PAUL—Mail Fraud Charged in Phony Invoice Case: A federal grand jury returned an indictment on January 8, 1986, against William T. Goldwasser II, who was charged with violations of the Mail Fraud Statute. Goldwasser, d/b/a Northern Aluminum Corporation in Burnsville, MN, allegedly conducted a scheme to defraud Congress Financial Corporation-Midwest of Minneapolis, MN, by submitting false, fictitious, and fraudulent inventory records regarding the value and quantity of inventory (aluminum) for the purpose of obtaining loan advances from Congress Financial. Goldwasser obtained a credit line loan from Congress Financial of $7.5 million by assigning Northern Aluminum accounts receivable and inventory as collateral; however, more than $6.2 million in accounts receivable were allegedly fictitious. Congress Financial sustained a net loss of approximately $4.7 million.

NEVADA

LAS VEGAS—Boiler Room Operators Charged: On January 16, 1986, a federal grand jury at Las Vegas, NV, returned an 11-count indictment against the following four individuals who operated three boiler room advertising specialty companies from February 1983 through April 1984: John Chickene, Robert T. Chickene (brothers), Tracy B. Allen and Marlene Sue Tonkin. These four and other employees of the companies solicited small businesses throughout the United States to buy pens, key tags, or other advertising specialty items in hopes of winning a "fabulous" prize or vacation. It was estimated the three businesses generated between $500,000 to one million dollars during the 14-month period.

LAS VEGAS—Trio Charged With Real Estate Swindle: On January 30, 1986, a federal grand jury returned a fifteen count indictment against three individuals who were general as well as limited partners in a real estate venture from approximately 1981 through 1985. Those charged were Rosemarie M. Cannady, William H. Briggs, and Gerald L. Walker. The indictment charged the three with conspiracy, mail fraud, fraud by wire and aiding and abetting. The indictment alleged, in part, that the defendants defrauded at least ten other limited partners of approximately $375,000. The real estate venture was formed to purchase land and build an office building; however, limited partners were not told that the land was being "sold" to the limited partnership by Rosemarie M. Cannady at a price more than twice what Cannady was to pay. The indictment further charged that the defendants did not make their full contributions, and the other limited partners' money was not used to acquire the land from the "real" owner, but instead used for the benefit and gain of Cannady, Briggs and Walker.

NEW JERSEY

HACKENSACK—Firm Guilty of Advertising Scam: On January 21, 1986, TCB Advertising which operated as "T.J. Victor Sports Calendars," entered a corporate plea to one count of mail fraud in connection with a scheme to defraud small businesses of money paid for advertising space which was to appear on high school and college sports calendars. From November 1982 to December 1983, the scheme defrauded over 3,000 small businesses located throughout the United States of approximately $377,000 by selling them advertising space which was to appear on sports calendars for 252 colleges and high schools. As officers of the company, Lawrence O'Brien and Lewis Victor prepared a sales presentation to explain the King-Size Sports Calendar Poster program to schools. The two men sent flyers and business reply-mail postcards to the athletic departments of schools offering a free poster, complete with the schedule of sporting events for the entire year, for each member of the student body and faculty, while knowing full well that the company intended to print only 500 posters for each school. The sales force of TCB Advertising approached the athletic departments with their offer; however, if they could not locate the athletic director or appropriate Dean of the College, they would then find an assistant director, coach, bookstore employee, or even student to sign a contract on behalf of the school, even though that person had no authority to accept the offer. The firm also solicited local merchants and businesses for paid advertisements to be placed on the calendar poster by claiming that the calendar poster program was authorized by the school (which in most cases it was not); the calendars would be distributed to all students whether or not the student body exceeded 500; the distribution would be within four to six weeks when, in fact, TCB regularly delivered the posters weeks or months behind schedule; the posters would be partially supported by national advertising when, in fact, there were no such contracts; and if an insufficient number of advertisers supported the poster program any money collected would be refunded when, in fact, TCB regularly ignored requests for refunds. The corporation was sentenced to pay a $1,000 fine and was placed on probation for five years. Refunds exceeding $50,000 were to be paid to victims who paid for advertising where no calendars were printed. (Inspector R.S. McConnell)

NEWARK—Two Charged With Filing Phony Insurance Claims: On November 21, 1985, Steven P. Kitsakos and Frank M. Isgro were indicted by a federal grand jury and charged with one count of conspiracy and nine counts of mail fraud. The investigation developed evidence that the two allegedly orchestrated the filing of false insurance claims on their own behalf as well as on the behalf of numerous other individuals. Their alleged participation in the scheme included: supplying false documentation to support the existence and ownership of items of personal property; the financing of insurance premiums; staging of residences to give the appearance of having been burglarized; assistance with providing descriptions of items which were supposedly stolen; providing false testimony to insurance carriers about the value and ownership of items reported stolen; financing legal fees for civil actions against insurance carriers; and coaching and instructing claimants during the entire claims process. The indictment charged them with the filing of about $880,000 in fraudulent insurance and travelers check claims. As an interesting aspect of this case, one of the defendants' bond was revoked based on his violation of a special condition which was requested by the government and ordered by the judge. The special condition was that neither defendant contact any witness unless such contact was through an attorney. On December 2, 1985, Kitsakos began efforts to contact witnesses. Although unknown to him at the time, two of the persons contacted were cooperating with the government. Arrangements were made to conduct consensual electronic surveillances with both witnesses. On December 4, 1985, a telephone conversation between Kitsakos and one cooperating witness was recorded. The court was advised of both the attempt and successful contacts with witnesses by Kitsakos. An arrest warrant was issued and a hearing held at Newark on December 6, 1985. The Assistant U.S. Attorney briefed the court on the contacts and played the tape-recorded conversation. The conversation included an acknowledgement from Kitsakos to the witness that his (Kitsakos) attorney had advised him not to contact any witnesses. Following comments by the defense attorney and the defendant, the judge revoked bail and ordered the defendant to be incarcerated until trial. On January 8, 1986, a federal grand jury indicted Kitsakos on a charge of witness tampering (Title 18, USC, Section 1512). On March 21, 1986, Kitsakos and Isgro were both convicted on the mail fraud and conspiracy charges following a three week trial. Five other co-defendants, Clarence Quirk, Dorothy Quirk, Barbara Quirk, Edward Quirk and Randall Quirk, had entered guilty pleas on February 26, 1986 to one count Informations, charging them with conspiracy to commit mail fraud. Each provided testimony at the trial.

NEW YORK

NEW YORK—Saxon Industries Case Ends (Winter 85/86 Report): Calling it one of "... the greatest swindles in financial history," Federal District Court Judge William C. Conner sentenced Stanley Lurie, former President and Chief Executive Officer of bankrupt Saxon Industries, Inc., on January 16, 1986, to five years imprisonment for his role as the chief architect of the financial fraud at that company, and co-defendant Alfred Horowitz, a CPA and former Vice-President-Finance, to three years imprisonment for his part in the scheme. The defendants falsified Saxon's books and records to inflate profits and assets over at least a fourteen year period (1968-1982). By 1980, Saxon, on paper, was 373rd on the Fortune 500 listing of industrial concerns, only to file for bankruptcy in April 1982 and subsequently report a $298 million net loss for 1981. Lurie, who had a prior conviction for larceny and was involved in other embezzlements and accounting frauds, also assisted other Saxon executives in embezzling $825,000 from the company by means of a shell corporation and other subterfuges. According to the terms of the plea agreement, both Lurie and Horowitz forfeit their Saxon stock and Lurie must forfeit his interest in a real estate partnership. Two other former Saxon executives, who previously pled guilty and cooperated in the investigation, are still awaiting sentence. Creditors lost over $187 million and shareholders over $36 million in Saxon's 1982 bankruptcy. In imposing sentence, the judge stated that the "Saxon story is among the greatest swindles in financial history" adding that it was "surely the most extensive" in terms of duration. For over sixteen years, Lurie and his co-conspirators perpetrated "a monstrous and ever-growing deception" by falsifying Saxon's books and records in order to create tens of millions of dollars in phony profits and nonexistent assets. In the Government's Sentencing Memorandum filed in connection with the sentencing, the Assistant United States Attorney in charge of the Saxon investigation, described Lurie as the defendant principally responsible for falsifying Saxon's books and records to inflate profits and assets over at least a fourteen year period from the late 1960s until 1982. The Government's Sentencing Memorandum traced Lurie's early career as an accountant, noting his 1961 conviction for petit larceny arising from Lurie's forgery of $6,000 worth of promissory notes in the name of a client of his accounting practice. The New York State probation investigation in 1961 found Lurie to be responsible for a number of other embezzlements and accounting frauds. He was sentenced to a term of probation in his 1961 case. Despite his criminal record, in the early 1960s Lurie joined the accounting firm that served as Saxon's outside auditors, and in several years he became chiefly responsible for the Saxon audit. In that capacity Lurie assisted Saxon executives in the embezzlement of Saxon funds, first by means of a shell corporation, "Camden Industrial Sales Corp.," he set up in December 1966. Stanley Lurie's duty as auditor was to expose the scheme; instead he made it possible. In total, $825,000 was stolen from Saxon for the benefit of Lurie and two other senior executives. Lurie joined Saxon as Senior Vice President in 1968 and became President in 1977. Even after joining the firm, he exercised extraordinary influence over annual audits of the company conducted by cronies from his old accounting firm. Evidence gathered during the course of the investigation revealed that the auditor in charge at key divisions of Saxon cashed checks from Lurie in amounts up to $5,000 once or twice per year in the 1970s. By the terms of his plea agreement, Lurie was also required to forfeit his 33,654 shares of Saxon stock, which is worth $1.25 per share in the Saxon bankruptcy, as well as his interest in a real estate limited partnership. Lurie had pleaded guilty in September 1985 to six counts of a sixteen count indictment against him, and faced a potential maximum sentence of 24 years in prison and $32,000 in fines. Two other Saxon executives, Vice President and Treasurer Robert Kennedy and Arthur Montiel, a Vice President of Finance in the Saxon's Business Products Division, also pleaded guilty and cooperated in the investigation that resulted in the indictment of Lurie and Horowitz.

NEW YORK—Seven Charged With Fraud for Phony Dali Sales: Seven people were charged on February 24, 1986 with selling bogus Salvador Dali lithographs to the public for as much as $3,000 each, although the signatures were forgeries and the "handmade lithographs" were poster-type prints worth $10 each. The indictments involved two separate companies which allegedly operated as "boiler rooms" in New York City by employing telephone sales people to induce investors to purchase original lithographs by Salvador Dali and other artists. The salespeople allegedly said the art works would increase in value to many times more than the investor initially paid. One of the companies sold roughly $500,000 in art works over a two-year period. The first 16-count indictment alleged that from 1984 to 1985, Roy Goldsmith, Jason Fern and Dean Thomas operated a boiler room under the name of Caravan Galleries at 251 Fifth Avenue, New York. The indictment charged that the defendants placed unsolicited telephone calls to potential investors throughout the nation in order to induce them to purchase "art objects." The sales staff allegedly misrepresented the authenticity of the artist's signature, the mechanical process which was used, the limited number of lithographs which were run and the extent of the sales market. As part of Caravan Galleries sales pitch, the company mailed out color brochures describing the available "works of art" they offered. Investors were told that works by Dali would "have the greatest potential for profit among the various artists' work available." The indictment also alleged that as part of the conspiracy the defendants reassured investors who questioned either the art works-signature or authenticity, that each piece would be accompanied by a "Certificate of Authenticity." The second 30-count indictment charged that from 1982 to 1985, Carol Convertine, Martin Fleischman, Dennis Huculiak and Dennis Flanagan operated a similar boiler room scheme under the names of Convertine Fine Art, Ltd. at 90 West Street and Convertine Galleries, Inc., at 790 Madison Avenue, New York. Here again, the defendants were charged with employing a sales staff to induce members of the public to invest in purportedly hand-signed, original lithographs by Salvador Dali, when in fact what they were sold were posters, reproduced photomechanically from slides of original oil paintings. In some cases the lithographs were not even reproductions of Dali works, but counterfeit images. The indictment charged that Convertine Galleries promised prospective customers their purchase was protected by a "one year buy-back guarantee which included a guaranteed 15 percent profit" and told other customers they were protected by a "thirty month exchange program which guaranteed that the full purchase price would be applied to another lithograph, even if the market value of the original purchase was to fall below the original purchase price." The indictment also charged that as a part of the conspiracy, the company shipped the art works in frames in order to "discourage close visual scrutiny of the item by the purchaser upon receipt." Mr. Dali's New York attorney previously stated that he was aware of about 100 fraudulent Dali titles in circulation in the United States. "If each fake title has a limited run of 1,250 prints, and each title sells for between $1,000 and $5,000, counterfeiters may have sold as many as $625 million in fake Dali lithographs over the last few years." (Inspector R. DeMuro)

NEW YORK—Ex-County Supervisor Guilty (Reference Fall 1985 Report): A federal court jury found former Fallsburg Supervisor Brian Ingber guilty on January 16, 1986 of mail fraud in connection with his 1983 re-election campaign. Ingber was charged in the indictment with election fraud during the 1983 election in South Fallsburgh. Specifically, he was charged in the indictment with forging absentee ballot envelopes, absentee ballots and with submitting false absentee ballot applications. Brian Ingber lost the 1983 election in the machine count of votes, but later won the election based on the absentee ballots he was accused of fraudulently handling. Ingber and three other defendants faced a second trial on charges they rigged a $570,000 bid for a town sewer contract in favor of Ingber's family firm, Service Scafford Inc.

OHIO

CLEVELAND—Jail Sentences in Distributorship Fraud (Reference Winter 85/86 Report): On February 21, 1986, Pete Alex of Cleveland, OH, and Henry E. Nowak, Jr. of Plano, TX, founders of Pacific Chemical Products Company, based in Cleveland, were sentenced in federal district court to 28 and 12 years, respectively, for their multicount mail fraud convictions of December 5, 1985. Pacific Chemical, which received national attention on 20/20 ABC television, sold about 350 distributorships totaling 2.2 million dollars during the 18 months the scheme was in operation. Investors were guaranteed that their $6,500 investment would be protected by the same value in chemicals which they would store and deliver to customers identified by Pacific Chemical in return for 18% of the gross sales. Other elements of a contract which enticed people throughout the country to invest in Pacific Chemical were the promises that a minimum of 49 customers would be provided the first year and that there was a full refund buy-back provision after one year if not satisfied. In reality, the victims received few, if any, accounts; only some $2,000 in chemicals; and total disregard for buy-back requests.

CLEVELAND—All Ten Charged Plead Guilty in Mortgage Fraud (Fall 1985 Report): A U.S. District judge sentenced 10 individuals on January 21, 1986, in connection with a fraudulent scheme being operated under the names M & M Realty, The Mortgage Place, Inc., et al., in Cincinnati. Each of the 10 defendants had pleaded guilty to one or more counts in the indictment after being indicted on July 30, 1985, and charged with 54 counts of conspiracy, mail fraud, wire fraud and bank fraud. Those pleading guilty were the following: Robert T. Porter, Judith L. Porter, Elaine M. Oney, Jack T. Pickett, Thomas M. Finch, Marty L. Mershon, Richard L. Pike, Dale W. Murrison, Linda L. Lykins, and David A. Eng. The sentences ranged from 10 years in prison for Porter to varying terms of suspended sentences and probation. Seven individuals will actually go to prison. (Inspector R.F. Chitwood)

OREGON

HILLSBORO—Loan and Multi-Level Sales Scheme Halted by Postal Service: A Postal Service Judicial Officer issued a False Representation Order on February 14, 1986, against a Hillsboro, OR firm *Specialty Marketing*. The owner-operator of the firm is Gerald B. Arnett. The order required the Postmaster to return to sender mail which is addressed to Specialty Marketing and related to a loan and multi-level sales program offered by Arnett. In addition, Arnett and Specialty marketing were ordered to cease and desist from making certain representations in the program solicitations. Specialty Marketing's initial solicitation represented that loans of from $1,000 to $1,000,000 were available to anyone who became a member of a "venture capital group." Group membership cost $10 per year. Upon payment of the membership fee, applicants found they would not receive a loan but instead were offered the opportunity to participate in a multi-level sales program promoting sale of a book authored by Arnett. Participation in this program required an additional outlay of $20 for purchase of the book. Those participating in the multi-level program were instructed to enlist new members by distributing a loan solicitation circular identical to the one to which they had originally responded. Issuance of the false representation and cease and desist orders was based on the finding by the Judicial Officer that Arnett was in violation of the lottery and false representation law, Title 39, U.S.C., Section 3005.

PENNSYLVANIA

HARRISBURG—Fugitive Mail Bomber Charged: A federal grand jury returned a two-count indictment against John E. Wiser, of Orbisonia, Huntington County, PA, charging that on December 20, 1984, he mailed an automatic coffee maker containing an explosive device to his neighbor Thomas Worrall, with the intent to injure. A federal warrant for Wiser's arrest on this charge was originally issued on March 13, 1985, and he has been a fugitive since that time. The second count of the indictment charged that Wiser possessed 12 firearms after having been previously convicted of a felony, in violation of 18 USC 1202. In connection with this charge, the U.S. Attorney filed a notice with the Court to trigger the enhanced punishment provisions under the Armed Career Criminal Act. This Act provides that a defendant who has three or more prior convictions for robbery or burglary and is then convicted of possession of firearms shall be sent to prison for 15 years and the court may not suspend this sentence or place the defendant on probation. A defendant convicted under this statute is not eligible for parole. In addition to the 15 year jail term, Wiser faces an additional fine of $250,000 on this count.

PHILADELPHIA—Pair Charged With Letter Thefts: On December 3, 1985 a federal grand jury returned two separate indictments against Francis W. Crowley and Robert J. Lee, Jr., stemming from an investigation into a series of letter collection box break-ins in Southwest Philadelphia. Crowley was charged in the indictment on two counts of Conspiracy, five counts of Obstruction of Correspondence, five counts of Destruction of Letter Boxes, and two counts of Possession of Stolen Mail Matter. Lee was charged in the indictment with two counts of Conspiracy, three counts of Obstruction of Correspondence, three counts of Destruction of Mail Boxes, and one count of Possession of Stolen Mail Matter. The indictments alleged that Crowley and Lee and an unidentified third person had stolen mail from various collection boxes in Southwest Philadelphia. The indictment further charged that from the stolen mail, the two were able to deposit approximately $20,000 in checks into a bank account, and had later withdrawn approximately $4,000 of these funds before the banks were alerted. Another $100,000 worth of unnegotiated commercial and personal checks were recovered. On January 13, 1986, Lee pleaded guilty to the charges, and after plea negotiations, Crowley pleaded guilty on January 21, 1986, promising restitution and agreement to testify against a third party involved in this operation. (Inspector E.C. Downs)

PHILADELPHIA—Grand Jury Charges Complex Coupon Fraud: On October 22, 1985, a federal grand jury returned a 151 count indictment against 22 individuals for income tax violations, mail fraud, and conspiracy involving twelve million dollars paid out by manufacturers for their cents-off coupons. Specifically, the indictment alleged that the individuals devised and executed schemes to defraud manufacturers that issued cents-off coupons for consumers, conspired to conceal money obtained from these schemes, committed income tax evasion and filed false income tax returns under penalties of perjury. The charges stem from an investigation conducted by the Postal Inspection Service and the Internal Revenue Service concerning the operations of Academy Marketing Service, Inc. of Philadelphia, PA, a coupon clearing house operated by Richard Granoff and Joel Goldberg. The indictment also alleged a third scheme involving Irv Stelweck, an associate of the Holtzins, Richard Granoff and Joel Goldberg and coupon clearing houses in Texas and California. In essence, the owners and operators of Academy and Eastern, utilizing a series of middlemen and runners, obtained and submitted millions of dollars worth of cents-off coupons that had never been used by consumers to purchase manufacturers products. The victim manufacturers include numerous companies across the United States. Hundreds of store and market owners in the Philadelphia, PA, and Camden, NJ, areas were recruited to participate in the scheme. Typically a middleman or runner would approach a store owner and promise a percentage of the gross amount of checks that were ultimately issued for unredeemed coupons submitted in the storekeeper's name. Middlemen would submit unredeemed coupons in that merchant's name through Academy and Eastern to manufacturers or other major clearing houses. The operators of Academy and Eastern, knowing that the coupons were unredeemed, would forward them on to the manufacturers and other major clearing houses, and in turn, receive substantial money. After receiving refund checks from the various manufacturers, Academy and Eastern would issue checks to the small retailers. It was alleged in the indictment that the checks were cashed and that the proceeds of those checks were generally split between the middlemen, the runners and the merchants. The indictment also alleged that the operators of Academy and Eastern received cash kickbacks from the middlemen. The indictment charged that 16 of the 22 individuals listed in the indictment were being charged with income tax evasion and/or filing false income tax returns under penalties of perjury. (Inspector C. Smires).

PITTSBURGH—Coupon Con-Man Sentenced: George Gallo of Hopwood, PA, was indicted September 20, 1985, on 25 counts of mail fraud stemming from his alleged submission of fraudulently obtained manufacturers' coupons for redemption to manufacturers and/or coupon redemption clearing houses. On December 6, 1985, a change of plea hearing was held and Gallo pled guilty to one count of mail fraud. On January 17, 1986, Gallo was sentenced to two years in prison, then ordered to serve 30 days in jail with the rest of the sentence suspended. He was also given five years probation and ordered to serve 16 hours a week community service at the Salvation Army food bank for one year.

SCRANTON—Dancer Pleads Guilty to Mail Bomb: Gregory A. Rowe of Syracuse, NY, pleaded guilty on January 8, 1986, minutes before his jury trial was to start in federal court, to the mailing of a parcel bomb to a nightclub owner in Scranton. Rowe also pleaded guilty to the interstate transportation of the bomb components from his home in New York to the point of mailing in Pennsylvania. On November 1, 1985, Robert Semenza, owner of the nightclub, Pep O'Briens, in Old Forge, PA, received a parcel that bore no return address. Semenza, suspecting the parcel to be a gag birthday present, carefully peered into the box through a small open seam. When he discovered a battery and wires, Semenza returned the parcel back to the Post Office. Postal Inspectors were immediately notified and the Scranton Police Department EOD Unit defused the device. Gregory Rowe, male dancer and leader of the group, "The Men", was immediately identified as a possible suspect. The Washington, DC, Crime Laboratory confirmed this on November 5, 1985, when Rowe's fingerprints and handwriting were identified on the bomb parcel. Rowe was arrested on November 7, 1985, in Ithaca, NY, by a task force of Inspectors and New York State Police six days after the receipt of the device by Semenza. The federal grand jury indicted Rowe on November 12, 1985. (Inspector J.E. McDormott)

SPRINGFIELD—Two Charged With Pornography Violations: Abramo "Mike" Ruggieri and Charles Geertz of Amsterdam, Netherlands, were named on November 13, 1985, in a 24 count indictment returned at Philadelphia, PA charging violations of Title 18 USC Sections 371 and 542. The indictment charged that Ruggieri, d/b/a Nova Products, conspired with Geertz to import films depicting sexual intercourse between humans and animals into the United States via the U.S. Mail. Several controlled deliveries were made in December 1984, and as a result of a search warrant executed on Ruggieri's residence, merchandise and technical equipment valued at more than $150,000 was seized. Ruggieri was released on bond. Geertz, however, was arrested by U.S. Customs Agents in November 1985, when he entered the United States at Los Angeles, CA. He pleaded guilty on February 6, 1986, served a 91-day sentence and was fined $25,000. (Inspector T.P. Anderson)

TENNESSEE

CHATTANOOGA—Pair Charged With Hare-Brained Scheme: On January 23, 1986, David A. Maddux and Wilma J. Maddux were arrested by Columbia, Missouri Police Department Detectives on a fugitive warrant. The two had been previously indicted on May 29, 1985 by a federal grand jury in Chattanooga on a 34-count indictment charging them with mail fraud, use of a fictitious name; and aiding and abetting. The indictments were the result of an investigation by Postal Inspectors with assistance from the Alabama Securities Commission, Missouri Division of Securities, and Tennessee Securities Commission. The pair, who operated as Golden Fur Company, Golden Fur Breeder Association, United Fur Brokers of Knoxville, Inc., United Fur Brokers Association, and World Acceptance Corp., were engaged in the business of selling live rabbit breeding herds and related equipment in 19 states. The approximately 750 victims of their operation were generally from the middle to lower middle socio-economic group and consisted largely of retired individuals, factory workers seeking second incomes and unemployed persons seeking a means of livelihood. People responded to newspaper advertisements indicating rabbit ranches were needed to supply a rapidly growing demand for rabbit meat and fur. They were subsequently contacted by sales representatives using high pressure sales pitches and told that only a limited number of ranches would be in each state, that their investment would be returned in two years or less, and as the rabbit herd grew, they would be making $40,000 to $50,000 a year profit. It is estimated that losses to investors due to sales of breeding herds, sales of additional equipment to investors and facilities built to house the rabbit herds totaled approximately four million dollars. At the time of their arrest, David and Wilma Maddux were selling fur coats at reduced prices to the general public from a room at the Ramada Inn in Columbia, MO using the corporate name "Precious Pets Inc."

MEMPHIS—Suspected Horse Killers Corralled: Eight persons were indicted by a federal grand jury on February 20, 1986, for a series of alleged mail fraud schemes involving the overinsuring and killing of registered quarter horses for the purpose of collecting insurance proceeds. The indictment contained 33 counts of mail fraud, with one or more defendants charged in each count, and three counts of conspiracy to commit mail fraud designed to obtain money from various insurance companies, including Central National Insurance Company, Monarch Insurance Company, American Continental Insurance Company, and Harbor Insurance Company. Charged with mail fraud with Keith Morrell, Loretta Morrell, Max Terrell, Mars Jean Terrell, all of Imboden, AR; Cecil Jines, of West Plains, MO; Edward T. Pitts;

Dennis Drury, of Green Castle, MO; and Dr. Thomas Watson, D.V.M., of Miami, FL. The horses were killed with various methods, including: injection of a bacterial solution through the intestinal wall; securing a plastic garbage bag over a horse's head causing suffocation; breaking a horse's leg with a splitting maul handle or similar object, thereby causing the horse to be put to death; burning a barn in which horses were stalled, and staging trailer accidents causing the trailers to crash, injuring the animals. According to the indictment, 19 horses were killed from August 1982 to March 1985. The amount of insurance proceeds actually collected by the defendants was approximately $464,000. Two horses allegedly killed in the scheme were insured for $250,000 and $125,000, respectively; but, the insurance company has denied the claims and civil suits are pending on these two. In addition to the horses actually killed, the indictment alleged two horses, insured for $40,000 and $18,250, respectively, survived a trailer wreck intentionally caused by four of the defendants, and the insurance proceeds from that scheme were not collected. The total amount of fraud and attempted fraud against various insurance companies and individuals is $897,250.

MEMPHIS—Job Application Scam Draws Indictment: A federal grand jury returned a four count indictment charging Samuel J.M. Davis, Jr., with violations of the Mail Fraud Statute. Beginning in approximately September 1985, classified ads were placed in various newspapers around the country stating that an office was opening in the city or metropolitan area in which the newspaper circulated, and that persons applying for the listed job openings should send resumes or letters to General Management and Planning Services at an address in Memphis belonging to an answering service. Upon receipt of the resumes and letters, Davis allegedly caused letters to be delivered to job applicants notifying them they had been hired and would be contacted after they sent a $30 money order or cashiers check to pay for a bonding company report. Payment was to be sent to a post office box in Olive Branch, MS, rented by Davis in the name of South Central Service System. After sending the payment, job applicants were not contacted and never heard again from Davis or General Management and Planning Services. Davis allegedly used the money obtained for his own purposes. In an additional indictment returned by the same grand jury, Davis was charged in a twelve count indictment with two other persons relating to mail fraud in filing false state unemployment compensation claims. (Inspector V.A. Sepuleveda)

MEMPHIS—Swindler Thinks Twice About Appeal: Thomas D. Crowley began serving an eight-year sentence on May 16, 1985, following his conviction of mail fraud, conspiracy and violations dealing with commodity operations in Memphis, TN. He also received a one-year consecutive sentence following his guilty plea on income tax violations. Crowley, in federal court September 1, 1983, and November 29, 1984, claimed he was indigent. He was provided a court appointed attorney to appeal the mail fraud conviction and a transcript of the trial at the Government's expense. Crowley had been indicted July 29, 1985, by a federal grand jury on five counts charging perjury, wire fraud, and mail fraud in connection with the above appearances and claims of being indigent. He pled guilty to the two counts of perjury. On January 17, 1986, a U.S. District judge sentenced Crowley to six months' incarceration consecutive to sentence now being served; he was also sentenced to make restitution to the Government of $8,700, the cost of the court appointed attorney and his portion of the cost of the trial transcript. Crowley has dropped his appeal of the mail fraud conviction.

TEXAS

HOUSTON—Costly Unemployment: On February 7, 1986, David Mark Conklin and John Francis Adams, d/b/a Phildon Industries, were indicted for mail fraud. They ran ads in the employment section of major newspapers across the country reading:

> **"Electricians-Plumbers and HVAC. (Heating Ventilation Air Conditioning) $38,000 and up. Start overseas projects. Phildon Industries (409) 539-1543. Call Monday through Friday."**

Respondents were led to believe that Phildon was a large construction company with overseas projects in South Africa and other places that employed applicants upon receipt of resumes and $500 refundable deposits. Callers were urged to respond promptly because Phildon expected to fill the positions quickly. The scheme operated for about three weeks but quick action in this case kept victims and losses to minimum. Numerous people responded and 15 people sent deposits. Conklin and Adams allegedly pocketed $7,500.

HOUSTON—Businessman Guilty in Invoice Scam: A federal jury in Chicago, IL, returned a verdict of guilty on January 21, 1986 on all 13 counts of a mail fraud and one count of wire fraud against Duane Price and his company, Beach International Inc. Price was President of Beach International Inc., a subsidiary of Maryland-based Earl B. Beach Company of Timonium, MD. The indictment charged that Beach International Inc. through its president, Duane Price, made $16,000 in payments in 1982 to Gilbert Sanchez, a buyer for Zenith Radio Corporation. Zenith's Texas company, Zenith Radio Corporation of Texas Inc. (ZENTEX), was "deprived of the faithful service of its employee" and suffered $90,000 to $100,000 in losses. Beach mailed approximately $700,000 in bogus and/or inflated invoices to Zenith in Chicago for payment during the 1982 period when Sanchez gave favorable treatment to Price's (Beach International) orders.

HOUSTON—Two of Three Guilty of Food Fraud (Winter 85/86 Report): On March 19, 1986, Art Bernal was found guilty in federal court of five counts of conspiracy, mail fraud and receiving U.S. Department of Agriculture funds that were obtained by fraud. The jury verdict came after a two-week trial. The original indictment alleged that Art Bernal, owner and operator of the Ambco Catering Company, conspired with Art Jones, Assistant Director of the

Houston Parks and Recreation Department and Randy Bostic, former Program Director of the Summer Food Service Program, to defraud the Government Summer Food Program during 1984 by falsifying the number of lunches provided. Bernal was convicted of the fraudulent receipt of federal funds relating to the government's reimbursement for lunches never delivered. The total loss to the program was approximately $175,000. Art Jones was found not guilty by the same jury of charges that he conspired with Art Bernal and Randy Bostic to defraud the same Summer Food Program of 1984. Randy Bostic was convicted on January 17, 1986, of conspiracy, bribery mail fraud and receipt of U.S. Department of Agriculture funds obtained by fraud for his participation in the food program scheme. The convictions were a result of an investigation by the Postal Inspection Service, U.S. Department of Agriculture and the Texas Department of Human Services.

VERMONT

RUTLAND—"Starr" Route Stopped: On February 6, 1986, Charles L. and C. Lawrence Starr (father and son) were convicted on 15 counts of mail fraud, wire fraud, and criminal conspiracy after a three week jury trial. The Starrs owned and operated American Mailing System (AMS), a bulk mailing service with customers throughout the U.S. and Canada. By mixing and burying third-class mail with different postage amounts, the Starrs paid only the lower rate on all the mail. They then made false documents showing the full amount of postage money had been spent. USPS and Canada Post were deprived of nearly $600,000 that clients paid to AMS for postage. During the period of indictment, AMS garnered over $3 million.

WASHINGTON

SEATTLE—Indictment Deals High Fashion a Low Blow: On March 1, 1986, a federal grand jury returned a fifteen-count indictment against Carolyn Hansen Faires, the former owner and operator of Carolyn Hansen Fashion College in Seattle. The indictment included ten counts of mail fraud, three counts of false statements to banks insured by the FDIC and two counts of bankruptcy fraud. Carolyn Hansen Fashion College offered courses in personal development, fashion merchandising and modeling. It enrolled students in their courses and then charged them tuition fees. In some cases, the school permitted the enrolled student to sign an enrollment installment contract and agree to make installment payments for the tuition fees. Western Discount Corporation, a business located in Seattle, WA, operated as a finance company and purchased the student contracts from the Carolyn Hansen Fashion College; in so doing they paid a percentage of the face value of each student contract presented by the college. American Student Loan Company, located in Phoenix, AZ, also operated as a finance company, and paid a percentage of the face value of each student contract presented to them for factoring by the college. The grand jury charged that Faires submitted sixteen fictitious student installment contracts to several of the discounters, and received approximately $20,000 in funds to which she was not entitled. The grand jury also charged that Faires submitted false financial statements to banks in order to obtain substantial loans. Faires also is charged with making false statements during bankruptcy proceedings, with regard to safety deposit boxes and appraisals of her jewelry and antiques. Carolyn Hansen Faires is a well-known figure in Seattle and was one of the original Jantzen swim wear models. Names used in her fictitious contracts included friends and relatives as well as her mother and her sisters.

CIVIL ADMINISTRATIVE ORDERS

Satisfactory evidence has been presented to the Postal Service that the following companies and/or their agents and representatives are engaged in the conduct of a scheme or device for obtaining money or property through the mails by means of false representation in violation of 39 U.S. Code 3005 (formerly U.S.C. 4005). Therefore, the Postal Service Judicial Officer has issued an order to the appropriate postmasters directing the return to senders all mail related to the scheme or device (except refund requests) and forbidding the payment of any Postal Money Order relating to the scheme or device. All mail which is returned to senders is marked "Return to Sender; Order Issued against Addressee for Violation of False Representation Law."

1. CONSOLIDATED AND
FIDELITY ADV. CO.
and
CREATIVE MARKETING
2895 Biscayne Blvd. 402
Miami, FL 33137
With respect to misrepresentation of merchandise

2. CUSTOMER SERVICE
DEPARTMENT
P.O. Box 2277
Kansas City, MO 66110
With respect to medical fraud—weight loss products

3. DAVID F. HOLLIS
P.O. Box 2772
Nashville, TN 37219
With respect to credit card applications

4. YELLOW PAGES
3314 Harbor Blvd.
Pt. Charlotte, FL 33952
With respect to solicitations

5. ROCKY MOUNTAIN TRADERS
125 E. 32nd Street, S-810
Durango, CO 81301
With respect to misrepresentation of merchandise

6. JOHN MOUSSEAU EPDC
P.O. Box 15639
N. Hollywood, CA 91615
With respect to COD parcels

7. MAHER PUBLISHING
P.O. Box 8671
Tampa, FL 33674
With respect to lottery and merchandise misrepresentation

8. SPECIALTY MARKETING
230 NE 17th Street
Hillsboro, OR 97124
With respect to work-at-home plan

9. UNITED DENTAL PLAN
P.O. Box 446
Ravenel, SC 29470
With respect to dental insurance

10. HENRY KAKEMBO
P.O. Box 9133
Silver Springs, MD 20906
With respect to work-at-home plan—envelope stuffing

11. SHAMROCK LEISURE TRAILS
AKA
HAMPARTZOON BAZARIAN
426 W. Ponce De Leon Avenue
Decatur, GA 30030
With respect to misrepresentation of merchandise—vacation package

12. MICHAEL J. CHRISTOPHER
P.O. Box 827
Milwaukee, WI 53201
With respect to failure to pay for purchase of tickets

13. ROBERTSON-TAYLOR
781 W. Oakland Park Boulevard
Suite 290
Ft. Lauderdale, FL 33311
With respect to medical—cosmetic, Calor-Bloc, Synertrim 9, Derma-Tec 90, Medi-tec 90, Libutol 1500, Testorex 35

CONSENT AGREEMENTS

The mail order activities of the businesses listed below received attention with respect to alleged violations of Title 39, U.S. Code, Section 3005, False Representation Statute, based on representations made in their advertisements. The firms agreed to the following:

A. Without admitting the falsity of their advertisements they agreed that the alleged false representations may be reasonably construed by a normal reading of the advertisement.

B. That the use of this promotional material has been permanently discontinued and will not be resumed directly or indirectly under any other name, address, corporation or other device.

C. That advertisements making representations similar to the representations alleged will never again be used in the sale of the same or similar product.

1. MARGARET M. MATRAVERS
6 Mohawk Court
Buffalo Grove, IL 60089
Subject: Coupon redemption

2. PAMELA SEWELL
2430 Hayes
Racine, WI 53405
Subject: Coupon Redemption

3. C & H ENTERPRISES
4503 Elms Haven Drive
Dayton, OH 45424
Subject: Work at Home Plan

4. MAACK COMPANY
205 Arron Court
Vernon Hills, IL 60061
Subject: Distributorship—"Money Unlimited"

5. PRIMYON ENTERPRISES
2370 Bensonia Avenue
Pittsburgh, PA 15216
Subject: Work at Home—Envelope Stuffing

6. BRE-CAL ENTERPRISES
P.O. Box 10208
Longview, TX 75608
Subject: Work at Home Plan—Assembling Mailers

7. MAXEEM
P.O. Box 34866
Los Angeles, CA 90034
Subject: Medical—Sexual Product: "Maxeem"

8. PURECHEM PRODUCTS
P.O. Box 35276
Los Angeles, CA 90035
Subject: Medical—Sexual: "Purechem"

9. B.A. YOUNG
Rt. 3, P.O. Box 23
Haleyville, AL 35565
Subject: Work-at-Home Plan—Envelope Stuffing

10. JOHNSON ENTERPRISES
1320 Bryant Street, NE
Washington, DC 20018
Subject: Work at Home Plan

11. S & B PUBLICATIONS
804 Old Thorsby Road
Clanton, AL 35045
Subject: Work at Home Plan

12. HELP
P.O. Box 8155
Lexington, KY
Subject: Misrepresentation of Merchandise

13. INTERNATIONAL TOURING CLUB
7055 Engle Road, Bldg. 2
Cleveland, OH 44130
Subject: Solicitations

14. UNIVERSITY CARE SERVICES
9016 Woodmoos Lane, 2B
Indianapolis, IN 46250
Subject: Misrepresentation of Merchandise

15. KAREN MALY-SALZ
354 George Street
S. Williamsport, PA 17701
Subject: Coupon Misredemption

16. ROBY'S MAIL ORDER
1480 Creighton Avenue
Akron, OH 44310
Subject: Work at Home Plan

17. HOLY LAND FELLOWSHIP
130 Rose Avenue
Staten Island, NY 10306
Subject: Misrepresentation of Merchandise—Lottery

18. R & B ASSOCIATION
P.O. Box 721
Uhrichville, OH 44683
Subject: Work at Home Plan

19. MY WIFE'S BUSINESS OPPORTUNITY
612 Carolyn Drive
Mentor, OH 44060
Subject: Work at Home Plan

20. ELITE PUBLISHING SERVICE
P.O. Box 454
Lynbrook, NY 11563
Subject: Loans

21. U.S. ADVERTISING
P.O. Box 866
Colonial Height, VA 23834
Subject: Gift Promotion—Failure to Furnish Merchandise

22. MARHAM ENTERPRISES
P.O. Box 1949
Cumming, GA 31030
Subject: Work-At-Home Plan

23. AMERICAN LOCK & TOOL
P.O. Box 2013
Hollywood, FL 33022
Subject: Lock Pick Gun—COD Parcels

24. B. MAQUAIRE
927 Hollywood Plaza
W. Palm Beach, FL 33405
Subject: Work at Home Plan—Envelope Stuffing

25. ROOSEVELT ALUMNI ASSOCIATION
4419 Center Street
Des Moines, IA
Subject: Lottery

26. SHILLA MARKETING
P.O. Box 139014
Brooklyn, NY 11213
Subject: Misrepresentation of Merchandise—Unsolicited COD

27. FOODBASKETS
P.O. Box 19843
Indianapolis, IN 46219
Subject: Solicitations of Charitable Funds

28. MIKE BIANCONI
11738 Broad Street
Brooksville, FL 34298
Subject: Distributorship—Lottery

29. ALLTIME ENTERPRISES
AND
GOODWORLD/MAILTIME
P.O. Box 26353
Tamarac, FL 33320
Subject: Work-at-Home Plan—Envelope Stuffing

30. H VALENT
67684 Palmetto Circle S
Raca Raton, FL 33433
Subject: Work-at-Home Plan—Envelope Stuffing

31. P M ENTERPRISES
2206 E Race, #9
Searcy, AR 72143
Subject: Work-at-Home Plan—Envelope Stuffing

32. EMPIRES UNLIMITED
P.O. Box 10467
El Pasa, TX 79931
Subject: Distributorship—Lottery

33. RAVEN, INC.
AND
RVN INC/RAVEN
P.O. Box 8659
Minneapolis, MN 55408
Subject: Work-at-Home Plan—Envelope Stuffing

34. SPECIAL HOMEWORKER PROGRAM
3903 Erby 24
Houston, TX 77087
Subject: Work-at-Home Plan—Envelope Stuffing

35. INFORMATION SERVICES
6833 S. Gessner Suite 254
Houston, TX 77035
Subject: Misrepresentation of Merchandise—Vehicles & Boats

36. BJM ENTERPRISES
P.O. Box 3297
Bloomington, IL 61702
Subject: Work-at-Home Plan—Envelope Stuffing

37. PAYMASTER ASSOCIATION, INC.
5974 N. Santa Monica
Milwaukee, WI 53217
Subject: False Billing

38. INTERCOL
P.O. Box 412
El Paso, TX 79968
Subject: Misrepresentation of Merchandise—Solicitations/Prizes

39. A ENTERPRISES
P.O. Box 34081
Houston, TX 77234
Subject: Work at Home Plan—Envelope Stuffing

40. FLETA M. WATERS
P.O. Box 210-A
Center Ridge, AR 72027
Subject: Coupon Misredemption and Coupon Rebates

41. OSCAR N N'TUBA
P.O. Box 8659
Minneapolis, MN 55408
Subject: Misrepresentation of Merchandise—Money Making Programs

42. RAVEN, INC.
P.O. Box 8659
Minneapolis, MN 55408
Subject: Work-at-Home Plan—Envelope Stuffing

43. BEBE
10418 Pulaski
Oaklawn, IL 60453
Subject: Lottery—Lottery Tickets

44. GUILFORD COLLISON
201 Beard Street
Beards Town, IL 62618
Subject: Work-at-Home Plan—Envelope Stuffing

45. EVON
210 Fifth Avenue
New York, NY 10010
Subject: Misrepresentation of Merchandise—VHS/BETA Cassettes

46. J.J. PENNINGS & ASSOCIATES
Rt. 1, P.O. Box 354
New Franken, WI 54299
Subject: Distributorship—Multi-Level

47. NATIONAL COSMETIC LABS
300 S. University Drive
Plantation, FL 33317
Subject: Medical—Bust Developer

48. NAT-RUL HEALTH PRODUCTS, INC.
177 E. 87th Street
New York, NY 10128
Subject: Medical—"Green Lipped Mussel", "Life Prolonger", "Maximum Memory"

49. KMG COMPANY
P.O. Box 135
Rochester, MN 55904
Subject: Work-at-Home Plan—Envelope Stuffing

50. NATIONAL COSMETIC LABS, INC.
P.O. Box 291324
Davie, FL 33317
Subject: Medical—"Vericreme"

51. CREDIT CARD PROTECT AGENCY
4501 Forbes Blvd.
Lanham, MD 20706
Subject: Misrepresentation of Merchandise—Protection Service

52. SUNBURST BIORGANICS, INC.
P.O. Box 607
Rockville, NY 115471
Subject: Medical—Diet Pills

53. SUPREME FULFILLMENT CREME
2265 Westwood Blvd.
Los Angeles, CA 90064
Subject: Medical—Bust Developer

54. FINANCIAL FITNESS PROGRAM
11915 N. Gray Road
Carmel, IN 46032
Subject: Distributorship

55. THERESA R. BROWN
65 Oak Circle Drive
Wheeling, WV 26003
Subject: Coupon Misredemption—Rebates

56. CHILDRENS WISH PROGRAM
AND
WISH PROGRAM, INC.
P.O. Box 10687
Merrillville, IN 46410
Subject: Solicitation-provide a wish for terminally ill patients

57. AA OPPORTUNITIES
AND
T & K ENTERPRISES
P.O. Box 1059
Fairport, NY 14450
Subject: Merchandise misrepresentation—money making offer

58. ANN BARBER
1360 Paddy Lane
Ontario, NY 14519
Subject: Work-at-Home Plan

59. J & S ENTERPRISES
P.O. Box 8473
Pittsburgh, PA 15220
Subject: Work-at-Home Plan—envelope stuffing

60. WALKER GAME FARM
P.O. Box 10862
Pittsburgh, PA 15236
Subject: Failure to furnish merchandise—domestic animals

61. NCC CONSULTANTS
1701 Ellis Avenue
Laurelspring, NJ 08021
Subject: Lottery

62. TAYLORS INTERNATIONAL
P.O. Box 806
Clinton, NC 28328
Subject: Misrepresentation of books

63. TELEMARKING SERVICES
158 Bishops Drive
P.O. Box 226
Chesterheigh, PA 19017
Subject: Unordered COD parcels

64. S W ADVERTISING COMPANY
P.O. Box 653953
Miami, FL 33165
Subject: Work-at-Home Plan—envelope stuffing

65. TRAVEL AWARDS
AND
HAWAIIAN ADVENTURES
P.O. Box 10640
Naples, FL 33940
Subject: Travel—Vacation Offer

66. HARRIS & HARRIS ENTERPRISES
P.O. Box 740961
Houston, TX 77274
Subject: Work-at-Home Plan—envelope stuffing

67. J. PACHELI & ASSOCIATES
3304 Dona Avenue
Alexandria, VA 22303
Subject: Work-at-Home Plan—envelope stuffing

68. FREDERICK PARRIS
AND
PHYLLIS HARRIS
P.O. Box 63
Ft. Mill, SC
Subject: Misrepresentation of merchandise—baseball cards

69. GREENWOOD
AND
GREENWOOD PUBLICATIONS
6321 SW Burma Road
P.O. Box 1568
Lake Grove, OR 97034
Subject: Work-at-Home Plan—envelope stuffing

70. MAIL PROCESS SERVICE (MPS)
21115 Devonshire #360
Chatsworth, CA 91311
Subject: Work-at-Home Plan

71. HAWTHORN DESIGN SERVICE
P.O. Box 1312
Royal Oak, MI 48068
Subject: Work-at-Home Plan—envelope stuffing

72. EDWIN S. LOGSDON
23077 Greenfield 385
Southfield, MI 48075
Subject: Fraud against the Postal Service

73. LOVELIGHTS
P.O. Box 1132
Lakeland, NY 11779
Subject:
Medical—"Estrum", Sexual Aids, "Maxime Yohimbe"

74. JACQUES GAUTHE ASSOCIATION
5515 Cameron Boulevard
New Orleans, LA
Subject: Work-at-Home Plan—envelope stuffing

75. SUSAN E. RAESS
1928 Hopi Lane
Mt. Prospect, IL 60056
Subject: Coupon refunds

76. FRANCES DONAHUE
723 Pridy Street
Bloomer, WI 54724
Subject: Coupon refunds

77. LEE & ASSOCIATES
5687 Phoebe Drive
Arlington, VA 38002
Subject: Merchandise misrepresentation

78. HEALTHCARE SOUTHEASTERN OFFICE
1001 E. Avalon Avenue
Muscle Shoals, AL 35661
Subject:
Medical—reducing: "Nutra Trim"

79. AMERICAN BIO-NUTRIENT
LABS
2527 N. Carson Street
Carson City, NV 89701
Subject:
Medical—"Lifespan 4000"

80. JOBES
34 E. Church Street
Fairchance, PA 15436
Subject: Lottery—Chain
letter reports

81. BCEMF
OR
BIRMINGHAM CHILDREN
EMERGENCY MEDICAL FUND
P.O. Box 9467
Birmingham, AL 35220
Subject:
Solicitations—funds

82. SUSAN E. WHITLEY
P.O. Box 434
Albion, NY 14411
Subject: Work-at-Home
Program—envelope
stuffing

83. SILICON VALLEY MAILING
COMPANY
AND
AMERICAN MAILERS
1390 Marlin AVenue
Foster City, CA 94404
Subject: Work-at-Home
Program—envelope
stuffing

84. GALDIN'S ENTERPRISES
1308 Bedell Avenue
Del Rio, TX 78840
Subject: Distributorship—
money making program

85. MAIL FACTORY
P.O. Box 56285
Houston, TX 77256
Subject: Work-at-Home
Program

86. D & S DISTRIBUTING
Route 2
P.O. Box 424
Boones Mill, VA 24065
Subject: Work-at-Home
Program

87. J & S ENTERPRISES
48 Indigo Road
Levittown, PA 19057
Subject: False billing—
invoices

88. BIGGER & ASSOCIATES
409 Bayview Avenue
Naperville, IL 60565
Subject: Lottery tickets

89. SPACE OPPORTUNITY CLUB,
INC.
P.O. Box 690753
Houston, TX 77269
Subject: Distributorships-
lottery

90. MILLER
OR
JEANETTE MILLER
P.O. Box 398
La Feria, TX 78559
Subject: Work-at-Home
Program

91. JGCO INVESTMENTS
P.O. Box 94143
Schaumburg, IL 60194
Subject: Merchandise
misrepresentation

92. MARTIN ASSOCIATES
P.O. Box 965
Versailles, MO 65084
Subject: Work-at-home
program—envelope
stuffing

93. DOCUMENT SERVICE
AND
NATIONAL PROCESS CENTER
2925 LBJ Freeway
P.O. Box S 180
Dallas, TX 75234
Subject: Confidence
swindle—social security
information

94. INCOME SOURCES, INC.
1000 29th Street MW
St. Petersburg, FL 33713
Subject: Distributorship—
lottery

95. JOY ENTERPRISES
511 Rome Street
Holly Hill, FL 32017
Subject: Work-at-Home
Program—envelope
stuffing

96. D & R DISTRIBUTING
2608 4th Avenue
Council Bluff, IA 51501
Subject: Work-at-Home
Plan—envelope stuffing

97. PC's LIMITED
AND
DELL COMPUTER
CORPORATION
7801 N. Lamar
P.O. Box E-200
Austin, TX 78752
Subject: Merchandise
misrepresentation—computer
products

98. VERI FACT FINDERS
1000 29th Street N.
St. Petersburg, FL 33713
Subject: Confidence
swindle-unclaimed estates

99. S W WHOLESALE GUNS
8330 Burnett Road
P.O. Box S 133
Austin, TX 78758
Subject: Failure to furnish
merchandise—firearms

100. DUVALL PRESS FINANCIAL
PUBLICATION
920 W Grand River
P.O. Box 14
Williamston, MI 48895
Subject: Merchandise
misrepresentation—money
making program

101. HARRIS & HARRIS
ENTERPRISES
P.O. Box 740961
Houston, TX 77274
Subject: Work-at-Home
program—money making
scheme

102. A & J ASSOCIATES
P.O. Box 4540
Arlington, VA 22204
Subject: Work-at-Home
program—envelope
stuffing

103. R J ENTERPRISES
P.O. Box 43
West Point, AR 72178
Subject: Work-at-Home
program

104. ALLEN MIELKE
Route 2
P.O. Box 565
Atkins, AR 72823
Subject: Work-at-Home
—money making program

105. JOANN LEWIS aka
LEWIS INTERNATIONAL
P.O. Box 20130
Cleveland, OH 44120
Subject: Medical "Blue/Green Manna"

106. WINNING
P.O. Box 3355
Kennesaw, GA 30144
Subject: Work-at-Home program

107. THE AMERICAN MINT
1718 Connecticut Avenue
Washington, DC 20009
Subject: Misrepresentations—coins/medallions

108. SMITH COMPANY
2147 Eastern Avenue
Erie, PA 16510
Subject: Work-at-Home program—envelope stuffing

109. JACKSTRAW ENTERPRISES
12 Parkland Drive
Fairport, NY 14692
Subject: Lottery

110. FINANCIAL FITNESS PROGRAM
944 SW 131 Way
Ft. Lauderdale, FL 33325
Subject: Distributorships—multi level sales program

111. FINANCIAL ASSISTANCE SERVICE
P.O. Box 161201
Irving, TX 75016
Subject: Merchandise misrepresentation

112. L&H VITAMINS, INC.
38-01 35th Ave.
Long Island, NY 11101
Medical—Reducing Grapefruit Diet

113. NATIONAL EXCHANGE SERVICE
6615 New Ultrecht Ave.
Brooklyn, NY 11219
Subject: Advance Fee Scheme—Signature Loans and Instant Credit

114. GOLDEN OPPORTUNITY ENTERPRISES
AND
MILLIONAIRE
P.O. Box 190
Murdock, FL 33938
Subject: Work-at-Home Plan

115. L&H VITAMINS, INC.
38-01 35th Ave.
Long Island, NY 11101
Subject:
Medical—Reducing "Trim Tone 1200"

116. GOLDEN OPPORTUNITIES
AND
THE HELPING HAND
AND
BIBLE POWER
29 Mount Carmel Drive
Windber, PA 15963-9442
Subject: Chain Letters; Bible Sales through a lottery

For assistance with postal-related problems of a law enforcement nature, please contact the closest Inspection Service Headquarters.

Postal Inspector in Charge
P.O. Box 16489
Atlanta, GA 30321-0489

Postal Inspector in Charge
P.O. Box 1856
Baltimore, MD 21203-1856

Postal Inspector in Charge
P.O. Box 2767
Birmingham, AL 35202-2767

Postal Inspector in Charge
P.O. Box 2217
Boston, MA 02205-2217

Postal Inspector in Charge
685 Ellicott Square
Buffalo, NY 14203-2545

Postal Inspector in Charge
General Mail Facility
2901 I-85 South
Charlotte, NC 28228-3000

Postal Inspector in Charge
433 W. Van Buren St., MPO
Chicago, IL 60669-2201

Postal Inspector in Charge
P.O. Box 2057
Cincinnati, OH 45201-5001

Postal Inspector in Charge
P.O. Box 5726
Cleveland, OH 44101-0726

Postal Inspector in Charge
P.O. Box 329
Denver, CO 80201-0329

Postal Inspector in Charge
P.O. Box 566
Des Moines, IA 50302-0566

Postal Inspector in Charge
P.O. Box 119
Detroit, MI 48232-3201

Postal Inspector in Charge
P.O. Box 1230
Ft. Worth, TX 76101-1230

Postal Inspector in Charge
P.O. Box 3535
Harrisburg, PA 17105-9000

Postal Inspector in Charge
P.O. Box 2169
Hartford, CT 06145-2169

Postal Inspector in Charge
P.O. Box 1276
Houston, TX 77251-1276

Postal Inspector in Charge
Suite 300
3750 Guion Road
Indianapolis, IN 46222-1669

Postal Inspector in Charge
P.O. Box 1606, GPO
Kansas City, MO 64141-1606

Postal Inspector in Charge
P.O. Box 3180
Memphis, TN 38173-0180

Postal Inspector in Charge
P.O. Box 520772
Miami, FL 33152-0772

Postal Inspector in Charge
P.O. Box 788
Milwaukee, WI 53201-0788

Postal Inspector in Charge
P.O. Box 509
Newark, NJ 07101-5901

Postal Inspector in Charge
P.O. Box 51690
New Orleans, LA 70151-1690

Postal Inspector in Charge
P.O. Box 555
James A. Farley, GPO
New York, NY 10001-7801

Postal Inspector in Charge
P.O. Box 24005
Oakland, CA 94623-1005

Postal Inspector in Charge
P.O. Box 2000
Pasadena, CA 91102-2000

Postal Inspector in Charge
P.O. Box 7500
Philadelphia, PA 19101-9000

Postal Inspector in Charge
P.O. Box 20666
Phoenix, AZ 85036-0666

Postal Inspector in Charge
1001 California Avenue
Pittsburgh, PA 15290-9000

Postal Inspector in Charge
921 SW Washington, Suite 790
Portland, OR 97205-2898

Postal Inspector in Charge
P.O. Box 25009
Richmond, VA 23260-5009

Postal Inspector in Charge
200 Hanley Road, 10th Floor
St. Louis, MO 63199-2201

Postal Inspector in Charge
P.O. Box 64558
St. Paul, MN 55164-2201

Postal Inspector in Charge
P.O. Box 2110
San Diego, CA 92112-2110

Postal Inspector in Charge
P.O. Box 882000
San Francisco, CA 94188-2000

Postal Inspector in Charge
P.O. Box 3667
San Juan, PR 00936-9614

Postal Inspector in Charge
P.O. Box 400
Seattle, WA 98111-4000

Postal Inspector in Charge
P.O. Box 22526
Tampa, FL 33622-2526

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INSPECTOR
UNITED STATES POSTAL SERVICE
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POSTAL INSPECTION SERVICE

law enforcement report

Summer 1986

P 1.29/2:

The Law Enforcement Report is published quarterly by the Postal Inspection Service in the interest of informing the public of postal crimes. It features primarily mail fraud cases, consent agreements and civil administrative orders, although other postal-related investigations, such as post office burglaries, holdups, mail order pornography and bomb mailings, are featured. Distribution of the Report is made to newspapers, Better Business Bureaus, Chambers of Commerce, consumer organizations, law enforcement agencies, and members of the public involved with direct mail marketing.

For assistance with a postal related problem of a law enforcement nature, a list of Inspection Service field locations appears in the back of the Report.

C R Clauson

Charles R. Clauson
Chief Postal Inspector

CHIEF POSTAL INSPECTOR
Washington, DC 20260-2100

CONTRACT FRAUD IS A NUMBER ONE PRIORITY

The extent of bribes, kickbacks and payoffs in dealings between companies, in transactions between business and government, and in negotiations between labor and management, has grown to such proportions that it can best be described as pervasive. The convictions of several top Postal Service managers for a complex scheme of bribery, kickbacks and mail fraud followed in just a few short months by the guilty plea of a member of the Postal Service Board of Governors, and the revelations of his role in trying to push through a contract award for letter sorting equipment, have shown rather dramatically just how vulnerable the entire process of outside contracting can be.

All purchases by the federal government are a potential target for fraud because of the huge amounts of money involved and the intense competition which prompts some companies to employ tactics ranging from the merely questionable to blatant illegality in seeking an edge to the bidding. For some companies, the award of a government contract can mean the difference between survival or demise, so the temptation to use illegal methods to grab the pot of gold is ever present. But abuse and fraud do not necessarily end with the bidding process. The potential for false claims, inflated billings, mischarges, and even unsatisfactory performance is ever-present during the life of a contract as companies seek to maximize their profits at the expense of large government bureaucracies that may be less than vigilant in monitoring contracts. In the case of the Postal Service managers, the internal machinery of contract awards was subverted inside the Postal Service by individuals using their positions of influence, which made the scheme doubly difficult to detect. While it is not easy to reduce the extremely complex problem of contract fraud to simple terms, two issues continue to surface: the need for tighter purchasing procedures and more effective internal safeguards.

Just how big is contracting in the Postal Service? After the Department of Defense, the Postal Service awards more contracts than any other federal agency. From a monetary perspective, the Postal Service currently spends about $4 billion a year for costs related to procuring supplies and services, operating expenses for buildings and real estate, and for transportation. Contracts for highway, rail and air transportation alone exceed $2 billion. With these figures as a backdrop, it is no wonder that the Inspection Service has made fraud against the Postal Service a priority investigative program because the expenditure of such vast sums of money demands adequate safeguards to prevent or identify fraud, waste, and abuse in contract procurement. As the movement within the federal government continues to be toward increased "contracting out," so too does the potential for fraud grow.

How to stop the potential for abuse from becoming a reality forms the impetus for several steps taken by the Inspection Service to prevent or, if appropriate, investigate the possibility of contract fraud. First, was the realization that a glaring weakness in the contracting process itself lay in the fact that some contracting officers were unaware of the pitfalls and potential for fraud in their work. It became obvious that unless the sensitivity of contracting officers to fraud was raised through an educative process, and through increased contact with Inspectors working in this area, other steps taken by the Inspection Service would be frustrated or counter-productive. With this in mind, Postal Inspectors participated in two training courses for contracting officers to develop this needed awareness of the fact that contract fraud exists, and to determine what the signals or "red flags" are in the procurement process that indicate something may be amiss. The training paid off for a recently concluded case involving Frederick Manufacturing Company, Inc., of Frederick, MD, was brought to the attention of the Inspection Service by a contracting officer. During a contract fraud investigation, a contracting officer mentioned to a Postal Inspector that he should take a look at Frederick. That remark led to an audit of the company in its role as a busy Postal Service contractor. After many months of intense investigative "digging," proof was obtained that the company was in violation of their contract, and it pleaded guilty to a Criminal Information on March 6, 1986.

Within the Inspection Service, the potential for contract fraud is a major concern of both audit and criminal programs. But there are certain questions that need resolution—such as: How big is the contract fraud problem? How can this type of crime be best prevented? And what is the best way to work the cases after establishing a methodology for discovering contract fraud? Fundamental to answering these questions is the necessity to establish effective lines of communication between inspectors in audit assignments and those working fraud cases. With this in mind, two training courses on contract fraud were held in 1984 for 60 Inspectors, with each group being equally divided between Inspectors in fraud and audit assignments. The instructors were a mix of Postal Inspectors, from Departments most involved with contracting and procurement, and representatives from the Anti-Trust and Public Integrity sections of the Department of Justice, and an Assistant U.S. Attorney.

On the heels of this new cadre of Inspectors trained in contract fraud, Chief Postal Inspector Clauson created a Task Force in April 1986 "to evaluate the current fraud, prevention and audit programs as they relate to contract fraud." The Task Force of five Postal Inspectors met in mid-May 1986 to discuss four general goals and how to meet them: (a) identification of the major problem areas; (b) establishment of priorities in the areas most vulnerable to contract fraud; (c) development of a methodology to disclose fraud; and (d) development of a methodology to prevent fraud.

The Task Force recommended, among other things, the establishment of a direct "800" telephone number publicized throughout the Postal Service, which employees could use to contact the Inspection Service about their knowledge of possible contract fraud. The recommendation has been approved and the telephone number will be operational soon.

On a parallel track to the work of the Task Force, a self-initiated desk review of procurement activity is being established. These audits will provide a tracking mechanism to evaluate the procurement system through a series of objectives which will establish contract audit attention where the majority of contract awards and procurement activity is located and conduct a continuous desk review of solicitations and awards. By drawing in the fraud and prevention specialists, and making them integral parts of the Inspection Service team, hopefully, this increased scrutiny will ensure the integrity of the contract process.

Contract fraud, like other types of fraud, subverts, a legitimate process, and can be enervating to an organization. The recent examples in the Postal Service show dramatically how the greed of some prey on the weaknesses of others in employing the system of bribes and kickbacks essential to making the fraud work. It is incumbent for all employees, no matter where they work, to be aware that the potential for contract fraud is very real and the financial payoffs can be enormous. For that reason, any employee, either in government or private industry, should be sensitive to any deviations from prescribed contract practices and report any suspicions of questionable activity.

STATE REPORTS

State reports featured in this publication are representative of a variety of civil and criminal investigations carried out by the Postal Inspection Service and are not all-inclusive of its activities during the quarter.

ALABAMA

BIRMINGHAM—All in the Family as Mother and Three Daughters Guilty of Fraud: On June 16, 1986, Linda Darnell Bradley was sentenced to one year in prison after she pled guilty to 12 counts of mail fraud. Mrs. Bradley, along with her mother and two sisters, was engaged in a scheme to defraud mail order companies from December 1982 to July 1984. The family ordered merchandise from various mail order vendors using "account closed" and "insufficient funds" checks in various fictitious names as payment. Mrs. Bradley, Mary Ellen Gaddy (her mother), and Cheryl Gaddy (her sister) were indicted on January 9, 1986. Another sister, Mary Ellen Kirby, was placed on pretrial diversion on May 30, 1986 for a period of one year. Mary Gaddy and Cheryl Gaddy were arraigned on January 23, 1986, and pled guilty to six counts and five counts of mail fraud respectively. Mary Gaddy was placed on probation for three years; ordered to perform 100 hours of community service; make restitution, and pay an assessment fee of $50. Cheryl Gaddy was placed on probation for two years; ordered to perform 100 hours of community service; and make restitution.

ARKANSAS

LITTLE ROCK—Two Head for Jail in Pornography Case: On May 29, 1986, Larry Lee Bass and James I. Freeman, both living at the same address in Little Rock, appeared in court after being convicted on child pornography charges. Bass was sentenced seven years in prison and Freeman was sentenced to six years. Bass had previously entered a conditional plea of guilty to one count of 18 USC 2251(b) when, *as a parent*, he knowingly permitted a minor to engage in sexually-explicit conduct. Freeman entered a conditional plea of guilty to one count of 18 USC 2251(a), producing a visual depiction using minors. Both were arrested April 28, 1986. The sentencing was the result of a joint investigation of the Postal Inspection Service, the FBI, and the San Jose, CA Police Department. Freeman and Bass were charged with producing a video film involving the 16-year old daughter of Bass, and Freeman then sold two copies of the video to an undercover policeman in California. Their guilty pleas resulted from pre-trial agreements with the defendants and the Assistaht United States Attorney. Both had agreed to cooperate with the Government in their investigation. In announcing his sentences, Magistrate Henry Woods pledged "to do his part to stop child pornography in its tracks in Eastern Arkansas." He stated "child pornography is a heinous crime" and "this is one of the most despicable cases I've ever tried." He vowed to convey the emphasis that Congress has placed on child pornography cases.

LITTLE ROCK—Horse Killers Guilty: (Spring 1986 Report under Tennessee): On June 5, 1986, Edward T. Pitts appeared in U.S. District Court for the Eastern District of Arkansas, and entered pleas of guilty to one count of mail fraud and two counts of conspiracy to commit mail fraud. Pitts was indicted February 20, 1986, with eight other defendants in a series of mail fraud schemes involving the over insuring and killing of registered quarter horses for the purpose of collecting insurance money. The total amount of the attempted fraud was $897,250. Four other defendants went to trial and after nine days in the courtroom, a federal jury returned verdicts on June 19, 1986 for Dr. Thomas E. Watson, D.V.M., Max Terrell, Mars Jean Terrell, and Charles Raglin. These four defendants had been indicted for mail fraud and conspiracy to commit mail fraud by a federal grand jury in March 1986. The jury found Dr. Watson guilty of four counts of mail fraud; Max Terrell guilty of one count of conspiracy to commit mail fraud; Mars Jean Terrell guilty of one count of conspiracy to commit mail fraud, but Charles Raglin was acquitted on all three counts of mail fraud. On June 25, 1986, Cecil Jines, the acknowledged ring leader of the group, was sentenced in U.S. District Court to seven years in federal prison, fined $10,000, ordered to pay $20,000 restitution to insurance companies and given four years probation. Jines had pleaded guilty earlier to five counts of a 36-count indictment, charging mail fraud. He cooperated with the government and testified in the above trial involving four co-defendants. On July 16, 1986, five co-defendants were sentenced. Max Terrell received a three year prison term, suspended; three years probation and a fine of $5,000. Mars Jean Terrell also was given a three year suspended sentence; three years probation and a fine of $5,000. Loretta Morrell was sentenced to six years in prison with three years suspended; three years probation, and restitution of $10,000. Keith Morrell, sentenced to thirteen years in prison with eight years suspended; four year probation; $10,000 restitution and a fine of $5,000. Edward T. Pitts received a six year prison term with four years suspended and restitution of $5,000. Pitts also entered a plea of guilty to a two-count criminal information charging that in an unrelated scheme he defrauded the Department of Labor by submitting fraudulent forms stating he was unemployed during a six-year period when in fact he was employed. Loss to the Department of Labor was $107,000. Pitts was sentenced to three years in prison to run consecutive to the two years he received in the above case. He also was fined $5,000.

CALIFORNIA

LOS ANGELES—Boiler Room King Pin Arrested: Otto Druskoczi was arrested April 24, 1986, on charges relating to mail fraud, as a result of his operation of boiler rooms in 1984 and 1985. Drusckoczi, along with Gabor A. Szabo, started International Business Industries (IBI) in 1984. IBI acted as an umbrella organization for a series of boiler rooms, each of which existed for three to six months. These companies were known as Buckingham Promotions, City-Corp, U.S. Premiums, Associated Clearinghouse, Metro Industries, Mirage Enterprises, Globe Marketing, and Commercial Trust. Their modus operandi remained surprisingly similar throughout the almost two years of their operation, i.e., victims believing they'd been selected to receive "one of four expensive prizes" paid the "administrative, insurance, and freight fees" of $49.10 (in the form of a COD jiffy envelope). There were, of course, no valuable prizes, and the known public loss in this scam was over one half million dollars. Druskoczi, who had gone to extreme lengths not to leave a trail after shutting down his business, was arrested in the early morning of April 24, 1986, while leaving a West Hollywood restaurant. With him at the time of his arrest was Tamas Chyba, one of the operators of Pacific Catalogue, a similar boiler room operation. His accomplice, Szabo is still being sought. (Inspector Thomas Dugan)

LOS ANGELES—Jury Returns Guilty Verdict Against Seven Defendants (Winter 85/86 Report): On May 2, 1986, a jury in Los Angeles found seven defendants guilty of one count of conspiracy and 12 counts of mail fraud. Following a five-day trial, Lolita McFarland; her sons—Fareed Muwwakkil, Harriel Bennett, Michael Garrett, and Kenneth Williams; her grandson, Maurice Bennett; and her daughter-in-law, Mary Muwwakkil, were found guilty of designing a scheme to victimize Prudential Insurance Company of America by staging a three-vehicle automobile accident. In spite of being related, all seven told the insurance company they did not know the people in the other cars prior to the accident. A total of $58,000 in bodily injury claims were filed by the seven against Prudential (Inspectors N.W. Helmer and A.L. Ward).

LOS ANGELES—Timeshare Con Man Guilty: On June 26, 1986, a federal jury in Los Angeles found James Raymond Quincy guilty of 37 counts of mail fraud, one count of wire fraud, two counts of interstate transportation of stolen property, conspiracy and engaging in a racketeer influenced corrupt organization (RICO). This was Quincy's second trial on charges brought in the District of Hawaii in July 1984, involving the fraudulent promotion of timeshares in Paradise Palms Vacation Club. Quincy's first trial in Honolulu, HI, in March of this year, resulted in a hung jury. Another defendant in the multimillion dollar case, Ben F. Kirk, is scheduled for re-trial in Hawaii.

LOS ANGELES—"Blue Bandanas" Finished: On June 23, 1986, in U.S. District Court, Velton Lamont Boone pled guilty to one count of armed postal robbery. Boone was part of the "Blue Bandana Gang" consisting of five members who committed seven armed postal robberies beginning in December 1984 and continuing until March 1985. All five members have been now convicted for postal robbery. (Inspector E.J. Fulson)

MILL VALLEY—Ad-Stamp Distributors Ordered to Stop Claims: In a settlement of false advertising charges, Create America Agency, Inc., a firm marketing distributorships for postage stamps attached to advertising decals, has agreed to retract certain claims in its advertising and to refund money it has already collected from prospective sales representatives. The company was also issued a cease and desist order as part of the settlement. The order prohibits officials of the company from using the mails to claim, among other things, that the Postal Service has authorized the production or sale of "ad-stamps;" that Create America has an exclusive contract with any other company to market such a product; or that their business venture is legal unless they obtain a written opinion to that effect from the appropriate authority. It also prohibits them from implying they have any product in stock or that well known large companies listed in their promotional material will be among those participating in the marketing promotion unless such claims are substantiated. In addition, by July 9, 1986, the firm had to send to everyone who responded to its promotional information a letter disclosing that no national advertisers have bought space on ad-stamp decals and that the U.S. Justice Department has advised that the use of ad-stamps violates federal criminal statutes. Those who ordered starter kits or sample ad-stamps can request a full refund. The agreement also calls for Create America to return all payments it received from the public by September 15, 1986, unless it can prove it has signed up at least five national advertisers for ad-stamps or has sold a minimum of 15 million ad-stamps over three months to any number of advertisers. The firm must also demonstrate it has the capability of distributing ordered ad-stamps to sales representatives and must inform all prospective sales representatives of any risk they run for possibly violating federal criminal codes by selling the product. The Postal Service has previously stated that no postal regulations prohibit a firm from buying postage stamps at full value and reselling them at a discount and that it will accept mail bearing decals that do not interfere with mail processing equipment. The Postal Service emphasized, however, that it could not rule on the legality of producing and distributing advertising decals attached to postage stamps. The Department of Justice has issued an opinion that attaching advertising to postage stamps violates section 475 of the Federal Criminal Code which prohibits attaching any advertisement to a U.S. obligation or security. So far there have been no criminal prosecutions for the use or sale of ad-stamps.

SAN DIEGO—Real Estate Investment Ends with Indictments: Lawrence J. Brophy was indicted and arrested on June 4, 1986, on charges of mail fraud and conspiracy to commit mail fraud. The indictment alleged that Brophy, President and a 30% stockholder in Common Sense Capital Corporation, was in the business of real estate development, acted as general partner in projects chosen for development, and sold limited partnership and fractionalized trust deed interests to investors to raise money for the purchase and renovation of real estate. Common Sense Capital Corporation set up a total of 14 partnerships between 1978 and 1982, raising about $7.8 million from more than 400 investors. Common Sense Capital Corporation was the general partner in each of these projects. The indictment focused on one of these projects: an office building at 2131 Third Avenue in San Diego. Common Sense Capital purchased this building on June 13, 1979, for $685,000. On October 29, 1979, the building was sold for $895,000. Then, on March 20, 1980, Common Sense Capital opened escrow on the same building for the purchase price of $1,215,000. Common Sense Capital then began marketing both limited partnership and fractionalized trust deed interests in the project. Investors were originally attracted through seminars conducted by Brophy at the Rancho Bernardo Inn and other locations around San Diego County. Those who expressed interest in the programs came to Common Sense Capital officers where investments like the 2131 Third Avenue project and other Common Sense Capital projects were offered. Two kinds of investments in the 2131 Third Avenue project were sold. For example, between October 1979 and September 1981, fractionalized trust deed interests were sold to approximately 50 investors, yielding proceeds of $321,900. These investors were promised 18% per year interest and were told the money would be used exclusively for the renovation of the office building. Limited partnership interests were also sold. Thirty-two limited partnership interests were sold to investors and Common Sense Capital received a total of $693,000. These investors were told that their money would be used as the down payment on the office building, and they were promised a 176% pre-tax return. Investors were told that Common Sense Capital already had lease agreements for much of the building, and was in the process of concluding other lease agreements to completely occupy the property. In fact, Common Sense Capital Corporation already owed $130,000 to other partnerships, and the money obtained from investors in the 2131 Third Avenue project was diverted almost immediately to pay these debts. Two hundred thirty-three thousand dollars ($233,000) from investors in the 2131 Third Avenue-office building was diverted to four other Common Sense Capital partnerships. Investors, however, were not told about these diversions, for Brophy and Common Sense Capital recognized that if investors were told the truth, they would not have put their money into the building project. On November 31, 1981, a bankruptcy petition was filed on the 2131 Third Avenue project, and the office building was eventually sold at a bankruptcy sale for $700,000. All investors sustained total losses. The investigation was jointly conducted by the Postal Inspection Service and the Attorney General's Major Fraud Unit. (Inspector M.A. Thomas)

SAN FRANCISCO—Fugitive Will Work-in-Jail for his Swindle: Randal Steven Davis was sentenced June 9, 1986, to four years in prison for operating numerous work-at-home schemes. Davis had defrauded over 6,000 people of more than $132,000 from 1979–1981 through his envelope stuffing schemes. A federal arrest warrant had been issued for Davis on April 20, 1982, and he was indicted on July 18, 1984. He was a fugitive until arrested in Portland, OR by the Oregon State Police on January 30, 1986. He was then transported to San Francisco, where he pleaded guilty to one count of the indictment (mail fraud) on March 24, 1986. Davis also had been previously indicted in the Eastern District of Washington on other mail fraud charges. At the time of his sentencing in San Francisco, he pled guilty under one count of that 14 count indictment. The judge sentenced him to five years imprisonment, suspended, and five years probation to run consecutively to the other sentence.

SANTA BARBARA—Lengthy Sentence for Child Pornography: On May 5, 1986, Thomas Pearson, Jr. was sentenced to 25 years in prison. The sentence will be modified or formally imposed by the judge after a 60-day psychological evaluation is made of Pearson. Pearson has been held in custody in lieu of $25,000 bond since his arrest on March 5, 1986 at his home. The arrest was based on his indictment by a federal grand jury on 11 counts of violation of the Federal Child Protection Act for importation and distribution of child pornography magazines from European sources. (Inspector Kenneth A. Elsesser)

COLORADO

DENVER—Trio Guilty of Child Pornography Charges: A Postal Inspection Service investigation identified William R. Esch, Linda S. Esch, and Thomas Blackledge in photographs showing them engaged in sexually explicit conduct with children approximately two and three years of age. The photographs were mailed to an Inspector using an undercover name and address, while other pictures also were sold to another Postal Inspector in an undercover capacity. On June 10, 1986, a jury found Blackledge guilty of 17 counts and the Eschs guilty of 16 counts each. Count I charged Blackledge only with mailing child pornography. Counts II and III charged all three defendants with producing child pornography which was mailed and having reason to know that it would be mailed. The three defendants first met as "swingers" before the children were born; then the Esch's children were used in the production of the child pornography.

FLORIDA

MIAMI—Duo Guilty of Armed Robbery: On June 25, 1986, Samuel Cooper and Gurley Kimble were found guilty after a three day trial for the armed robberies of the Allapattah Station in Miami on August 20, 1985, and September 7, 1985. The pair were found guilty of violations of armed robbery, aiding and abetting, and conspiracy.

MIAMI—Credit Fraud Charged: A federal grand jury returned a thirty count indictment on July 18, 1986, charging Alejandro Mendez with mail fraud, aiding and abetting and false credit access devices. The alleged scheme involved the interception of pre-approved credit applications from Citibank, which were forged and resubmitted, resulting in the issuance of valid credit cards. These credit cards were then used as the form of payment for mail order merchandise and to obtain cash advances in person and from automatic teller machines. The losses charged in this indictment exceeded $48,000; however, the known losses attributable to Mendez are believed to be over $100,000. (Inspector J.A. Fowler)

TAMPA—Lengthy Prison Sentence for Pornographers: On May 6, 1986, Mervyn Harold Eric Cross was sentenced in Federal District Court to 95 years in prison as a result of his conviction for operating a child pornography ring using the U.S. Mail. Cross was in a Florida correctional institution while he operated the child pornography ring. He was serving a 29-year sentence for child molesting and used other accomplices and unsuspecting talent agency employees to carry out his child pornography operation. Robert Carter Lodge, a co-defendant of Eric Cross and a Seattle schoolteacher, was also sentenced in this case to serve a maximum of five years in a federal prison. A third co-defendant, Ruksana Diwan, fled the United States before she could be tried on child pornography charges and was arrested in London. Diwan is free on bond, awaiting extradition to the United States to face these charges.

GEORGIA

ATLANTA—Heavy Sentence for Child Molester: On July 18, 1985, Dr. Charles M. Berry pleaded guilty to six counts of child molestation in Dekalb County, Georgia. Dr. Berry was sentenced to serve twenty years in prison on count one, and twenty years probation, to begin upon his release on parole, for the remaining five counts. His state prison sentence is to run concurrent with the federal sentence received on July 17, 1986.

ILLINOIS

CHICAGO—Indictment for Child Pornography: On May 21, 1986, a federal grand jury in the Northern District of Illinois, charged David Techter with violating Title 18, Section 2252, USC, distribution of child pornography through the mail. Techter had mailed three video tapes depicting females under the age of 18 engaged in sexually explicit acts. On the same day, an arrest warrant was issued for Techter, and he was arrested at his residence by Postal Inspectors and officers of the Chicago Police Department. Techter was convicted in December 1982 for possession with intent to distribute child pornography. This case was also investigated by Postal Inspectors and officers of the Special Investigations Unit, Youth Division, Chicago Police Department. Techter was featured in the NBC documentary "The Silent Shame," in which he admitted that was a pedophile. Techter has testified before the President's Commission on pornography regarding pedophilia and has also been named in a congressional investigation.

CHICAGO Tax Shelter Ends With Indictment: On June 4, 1986, a federal grand jury returned a 68 count indictment charging Ralph C. Musicant with mail fraud and securities fraud. Musicant is alleged to have engaged in the scheme in 1981 and 1982 while he was the head of Reserve Companies, Inc., and organized limited partnerships in coal mining ventures in Kentucky as a means of providing tax shelters to investors. In the fall of 1981, Musicant distributed Private Placement Memorandums to potential investors for limited partnerships to engage in the development and mining of coal in Kentucky. Reserve Investment Group IV (RIG IX) was formed to raise $2,000,000 for mine development. According to the Private Placement memorandum, if the $2,000,000 was not raised prior to closing, investors' money would be returned. Musicant closed the partnership on November 30, 1981, although he had raised only $512,000 from 18 outside investors; however, he allegedly made it appear that the full $2,000,000 was raised by having companies he controlled subscribe even though the money was not available. He continued to accept investors' money after closing and raised an additional $778,600 from 23 outside investors from December 1981 through February 1982. A similar scenario was followed with Reserve Investment Group X (RIG X) which was formed to raise $1,000,000 for mine development. According to the Private Placement Memorandum, if the $1,000,000 was not raised prior to closing, investors' money would be returned. Musicant closed the partnership on December 31, 1981, although he had only raised $155,000 from eight outside investors; however, as in RIG IX, he allegedly made it appear that the full $1,000,000 was raised by having companies he controlled subscribe even though the money was not available. He allegedly continued to accept investors' money after closing and raised an additional $71,000 from six outside investors from January through June 1982. Although Musicant raised $1,516,600 from outside investors for RIGS IX and X, he used only $500,000 for mine development. Consequently, the mines were not developed as outlined in the Private Placement Memorandums. Musicant used his participation in RIGS IX and X to shelter over $400,000 in income in 1981. In addition to fraud against investors, the indictment charged fraud against the United States by causing investors to claim $10,000,000 in tax deductions to which they were not entitled. (Inspector R. N. Mahan)

CHICAGO—High Return Investment Plan Ends with Indictment: On April 17, 1986, Robert Dennis Fraser was indicted by a federal grand jury for mail fraud and wire fraud. Fraser was the former president of ALCOA–NEC Communications Corporation which was a joint venture between ALCOA and NEC, Ltd., of Tokyo, Japan. Fraser represented to potential investors that as an executive of NEC, he was entitled to participate in an import program in which he could make up to a 25% return on his money in 60 to 120 days. He invited friends, business associates, suppliers, and customers to participate in the program with him. During the period from June 1983 through February 1985, Fraser received $600,000 from 34 investors for the investment program. Instead of sending the money to Japan; however, he used it to repay previous investors from whom he had allegedly borrowed money in prior years. When investors demanded the return of their money, he told them it was being held in Japan by NEC and also gave them checks marked "insufficient funds" and "account closed," thereby blaming it on bank errors.

SPRINGFIELD—Con Man Guilty in Money Market Scam: James H. Stufflebeam pleaded guilty to three of 24 counts of mail fraud on April 14, 1986, on which he was indicted December 9, 1985. The indictment had charged Stufflebeam with a scheme which victimized 16 elderly residents in Central Illinois of more than $70,000. The scheme involved investments in a nonexistent and phony money market fund known as Financial Security Investment, Inc., of Oakbrook, IL. Additional misrepresentations which induced the victims to invest included a guaranteed high rate of interest, IRA tax benefits, as well as all deposits insured by the FDIC. Stufflebeam diverted the fraudulently obtained funds to his personal use and later invested in the commodities future markets for his own personal interest. On June 20, 1986, Stufflebeam was sentenced to serve two years and to five years of probation at the conclusion of the sentence. He was also ordered to make full restitution to the victims within four and one half years after beginning his probation.

INDIANA

INDIANAPOLIS—Doctor Goes to Prison for Pornography: On May 8, 1986, John Hilgenberg, MD, was found guilty pursuant to a guilty plea agreement on one count in violation of 18 USC 2252 (Mailing a Visual Depiction of a Child Engaged in Sexually Explicit Conduct). Dr. Hilgenberg was sentenced to two years imprisonment, suspended, placed on two years probation and fined $10,000. On May 13, 1986, Hilgenberg was sentenced to two years in prison, suspended, and was placed on one year probation in Marion County Superior Court on related local felony charges involving child exploitation.

IOWA

DES MOINES—Six of Eight Go to Prison for Mail Fraud: Seven convicted co-conspirators, in what the Iowa Insurance Commission termed "the largest insurance fraud in the history of the state," appeared for sentencing in the week of June 9–13, 1986 in U.S. District Court for the Southern District of Iowa. The seven swindlers carried out a scheme to defraud Lutheran Benevolent Insurance Exchange of Alma, Missouri, by submitting false or inflated property loss claims through the U.S. Mail. Losses to Lutheran Benevolent Insurance Exchange were estimated at more than four million dollars. The judge imposed significant sentences which included aggregate court-ordered restitution in the amount of $3,951,196. Individual sentences were as follows: Garry Kipton Bailey, Vice President of Church Insurance Consultants, who was found guilty of eighteen counts of mail fraud and one count of conspiracy, was sentenced to ten years imprisonment and ordered to make restitution of $1,591,191. Frank Ellsworth Duncan, President of Church Insurance Consultants, who pled guilty to four counts of mail fraud pursuant to a plea agreement, was sentenced to eight years in prison, ordered to pay $1,040,160 in restitution, and will serve three years parole upon release from prison. David Dean Sears, President of Tri-States Adjusting, who pled guilty to four counts of mail fraud pursuant to a plea agreement, was sentenced to eight years imprisonment, ordered to pay $1,040,160 in restitution and will serve three years parole upon release from confinement. Berkeley John McIntyre, doing business as Adjustors Services, Inc., who pled guilty to three counts of mail fraud pursuant to a plea agreement, was sentenced to one year in prison and ordered to make restitution of $70,358. James W. Tucker, doing business as Artisans, Inc. and Builder's Consult of Des Moines, who pled guilty to one count mail fraud and one count conspiracy pursuant to a plea agreement, was sentenced to two years in prison and ordered to make restitution of $53,449. Robert E. Wishworth, doing business as R.E.R. Fire Services, who pled guilty to one count of mail fraud and one count of conspiracy pursuant to a plea agreement, was sentenced to three months imprisonment, followed by five years probation, and ordered to make restitution of $155,877. Raymond Gordon Gamel, Manager of Actoin Insurance Agency, a subsidiary of Church Insurance Consultants of West Des Moines, Iowa, who pled guilty to two counts of aiding and abetting mail fraud pursuant to an information and plea agreement, was sentenced to three years probation and ordered to perform 400 hours of community service. An eighth member of the group will be sentenced later.

KANSAS

KANSAS CITY—Pair Charged With Mailing Bomb to U.S. Senator: On April 29, 1986, a federal grand jury returned a two-count indictment against inmates David J. Leaverton and David E. Nicholson of Kansas State Penitentiary in Lansing, KS. The defendants were charged with sending, on March 18, 1986, an improvised letter bomb by mail to United States Senator Robert Dole. This letter was intercepted before delivery by Postal Inspectors in Washington, D.C. and taken to the Postal Inspection Service Crime Laboratory where analysis concluded that the device was incapable of detonation. Nicholson is currently serving five to twenty years for attempted aggravated robbery. Leaverton is currently serving a sentence of thirty years to life for aggravated escape, kidnapping, murder and aggravated assault on a law enforcement officer.

WICHITA—Guilty Plea for Child Pornography: An information was filed in federal district court on June 23, 1986 against Nicholas W. Ramsey for violation of Title 18 USC Section 2252 (a)(1), which pertains to certain activities relating to material involving the sexual exploitation of minors. Ramsey pled guilty to the Information which included three incidents of mailing visual depictions of minors engaged in sexually explicit conduct. At the time Ramsey was under investigation by Postal Inspectors, he was employed by a Wichita, KS television station as a news reporter and editor.

WICHITA—Another Purveyor of Child Pornography Charged: On June 24, 1986, a federal grand jury returned a True Bill, charging Paul W. Porter with three counts of violation of Title 18, Section 2252, of the United States Code, Distribution of Child Pornography through the United States Mails. Porter was charged with mailing foreign-origin child pornography to an undercover Postal Inspector on two occasions, and with soliciting child pornographic materials from the same Inspector. The mailings involved photographs depicting females substantially under the age of 18 engaged in sexually explicit acts.

LOUISIANA

BATON ROUGE—Cents-Off Coupon Redemption Fraud Scheme Put Out of Business: On May 22, 1986, a federal grand jury returned a 13-count mail fraud indictment against two of seven potential defendants who operated a cents-off coupon redemption fraud scheme in Baton Rouge, LA between September 1984 and January 196. The indictment charged Ibrahim Sulaime, aka Ibrahim Sulaiman, Abraham Sulaime, Abraham Sulaiman; and Mike Hamideh, aka Mike Hamidah, Mike Hamida, Mike Ramirez, Munser Hamide; both fugitives, with devising a scheme whereby they set up and/or established six stores and store front groceries in Baton Rouge for the purpose of submitting cents-off coupons to manufacturers and their representatives for redemption, knowing the coupons had not been redeemed through purchases of the manufacturers products as required by the coupon redemption agreements. As part of the fraudulent scheme, Sulaime and Hamideh allegedly falsified retail application agreements to make it appear that the six small "mom & pop" groceries were large-size supermarkets to justify the large volume of coupons redeemed. Following the investigation by Postal Inspectors, which began in December 1985, Sulaime and Hamideh quickly fled the Baton Rouge area, selling off all assets, and in the case of Sulaime, divorcing his American wife of two and one-half years. Sulaime is believed to be a Palistinian traveling on a Brazilian passport and his current whereabouts are unknown. Hamideh, prior to the Baton Rouge operation, was living in Chicago or Bridgeview, IL, where allegedly he was involved in a similar scheme, but fled the area prior to questioning by authorities. The investigation showed that Sulaime was attempting to move his fraudulent operation to the New Orleans area where he was in the process of setting up 35 different retail locations for fraudulent coupon redemption.

NEW ORLEANS—Sentencings in Pool Offshore Case (Spring '86 Report): Leonard M. Cable was sentenced on April 23, 1986, to 15 months in prison and five years probation upon release. Cable also was ordered to pay $10,000 in fines and $75,000 in restitution to Pool Offshore Company. Cable pled guilty, in a plea agreement, to a three count indictment charging conspiracy to defraud the United States and violations of the Mail Fraud Statute. Cable was a vendor of goods and services to Pool Offshore who paid bribes and kickbacks to employees of Pool including Travis Sepulvado and Ross Edwards. Those employees, in turn, directed Pool business to Cable's companies and authorized payment on fraudulent invoices. Travis A. Sepulvado, was sentenced on April 16, 1986, to five years probation and 288 hours of community service. He also was ordered to pay $12,670 in restitution to Pool Offshore Company. Sepulvado pled guilty, in a plea agreement, to a two-count indictment charging violations of 18 USC 371, conspiracy to violate the Mail Fraud Statute, and 26 7206(1), false statement on an income tax return. Sepulvado was a manager for Pool Offshore who received more than $10,000 in money, goods and services from vendors to the company. He channelled Pool Offshore business to those vendors and authorized payment on fraudulent invoices submitted by them. Ross D. Edwards was indicted on April 11, 1986, by a federal grand jury in New Orleans. The two-count indictment, as part of a plea agreement, charged Edwards with conspiracy to violate the Mail Fraud Statute and mail fraud. Edwards had also been a manager for Pool who received approximately $8,000 in money, goods and services from vendors to the company. He directed Pool Offshore business to those vendors and authorized payment on fraudulent invoices submitted by them. Edwards' indictment was the thirteenth in the Pool Offshore case. The investigation, which is being conducted jointly with Internal Revenue Service, continues.

NEW ORLEANS—Another Pool Offshore Conviction: A U.S. District Court convicted Patrick C. Richerson on July 14, 1986, on one count of conspiracy to violate the Mail Fraud Statute and two counts of income tax evasion. Richerson was the former Vice President of Poole Offshore Company, a Harvey, Louisiana offshore oil well drilling company. Richerson was found guilty of participating in a conspiracy to defraud Poole Offshore Company of money and of "his honest and faithful services," through a commercial bribery and kickback scheme. He received more than $100,000 in money, goods and services from vendors to Poole Offshore. Richerson was also found guilty of income tax evasion for failing to report as income, the bribes and kickbacks he received from Poole Offshore's vendors. Richerson's conviction was the second in this case after trial by juries.

Eleven other defendants in the case have pled guilty as a result of plea agreements and two defendants in the case have been given pretrial diversion. Investigation is being conducted jointly with Internal Revenue Service.

NEW ORLEANS—Sentences Continued in Bribery/Kickback Case (Spring 1986 Report): On May 7, 1986, John H. Koppa was sentenced to 18 months in prison for his participation in a commercial bribery/false invoicing scheme to defraud his former employer; Pool Offshore Company. Koppa also was ordered to pay $43,120 in restitution to Pool Offshore Company and $1,254 in court costs to the U.S. Attorney's office. He was originally ordered to serve three years in prison; however the judge suspended 18 months of the sentence and placed him on five years of active probation upon his release. Koppa, the former manager of drilling operations for Pool Offshore, was convicted April 4, 1986, on nine of 12 counts which charged him with conspiracy to violate the Mail Fraud Statute, mail fraud and making false statements to a federal grand jury. He was convicted of receiving over $39,000 in bribes (money, goods and services) from vendors to Pool Offshore Company and of assisting those vendors in submitting false invoices to Pool Offshore Company in order to get reimbursed for the bribes. Koppa was the first defendant to go to trial in this case; twelve prior defendants had all pled guilty.

MASSACHUSETTS

BOSTON—Inspectors Finally Get Their Man: On June 24, 1986 in U.S. District Court, James M. Hackett pled guilty to a charge of conspiracy to robbery and assault in the case of the hijacking of a postal vehicle and shooting of a police officer which occurred on June 16, 1975. James Hackett fled the country in 1980 after being indicted for violation of Title 18, USC, Sections 2114, 317 and 2214. He was arrested in Kuwait in 1980 after robbing a jewelry store in that country, and served over six years for that offense. Hackett was released from prison in Kuwait on February 24, 1986 and transported to Boston by U.S. Marshals to await trial for the June 16, 1975 crime: hijacking a postal vehicle in Boston and the serious wounding of a police officer. Five persons were indicted for this crime on June 9, 1980: Richard W. Murnane and James G. Capone were found guilty in U.S. District Court on June 16, 1981 and were sentenced to 25 and 10 years in prison, respectively. Peter E. Hackett (James Hackett's brother) was found not guilty on June 10, 1982, and Joseph J. Bimber has never been tried due to his age (75) and his mental deterioration.

BOSTON—Eagle Grounded: Steven Eagle of Cambridge, MA, pleaded guilty July 7, 1986, to both counts of a two-count indictment charging him with violations of 18 USC section 2252(a)(2)—sexual exploitation of children. Eagle was one of six (6) individuals indicted in Massachusetts December 5, 1985, for various violations of the Child Protection Act of 1984. Eagle, formerly a lecturer in environmental and visual studies at Harvard University, refused to undertake a polygraph examination about his sexual involvement with children as proposed by the government in an earlier plea negotiation. His guilty plea was entered prior to the first day of his scheduled trial.

MICHIGAN

DETROIT—Guilty Verdict in Assault of Postal Employee: Curtis Lee Ferguson was found guilty on July 9, 1986 by a Genesee County, Michigan Jury on charges of armed robbery and first degree sexual conduct. Both charges carry a maximum term of life imprisonment. Charges against Ferguson were based upon a joint investigation by Postal Inspectors and the Flint, Michigan Police Department, stemming from the December 12, 1985 robbery and rape of a Postal Service Letter Carrier in Flint, Michigan.

MINNESOTA

MINNEAPOLIS—Investment Swindle Charged: The federal grand jury at Minneapolis returned a sealed indictment on June 17, 1986, against Frank W. Bybee of Concord, NC. The ten-count indictment charged Bybee with violations of the Mail Fraud Statute, Title 18, U.S.C., Section 1341, in a scheme to defraud investors of more than $93,000. In July 1984, Bybee represented himself as an agent for Commercial Credit Investment of Pompano Beach, FL, and Concord, NC, and claimed the company would pool investors' money and purchase municipal bonds. Bybee allegedly told investors he could guarantee a minimum interest rate of 11.35% and all interest earned would be tax free. The indictment further alleged that Bybee promised to return investors' money to them within 14 days upon receiving a written withdrawal request from the investor. Investors mailed checks to Bybee from August 3, 1984 through January 17, 1985, and Bybee mailed monthly customer account reports to investors showing the principal and interest earned. On June 19, 1986, Bybee was arrested by Postal Inspectors and U.S. Marshals in Las Vegas, NV.

MISSOURI

KANSAS CITY—Pyramid Scheme Comes Tumbling Down: On April 30 and May 7, 1986, William B. Bass, Jr., of Irvine, CA, and Gert Albertus Theron, a South African national living in Mission Viejo, CA, entered guilty pleas to one count of conspiracy to violate the Mail Fraud Statute. Bass and Theron entered the pleas for their involvement in a pyramid scheme which sold thousands of investors more than $80 million worth of "activator kits." Bass and Theron are the third and fourth individuals of the 12 indicted by a federal grand jury in Topeka, KS, on September 11, 1986, to plead guilty. The indictment charged that the defendants created Culture Farms, Inc., of Kansas; Activator Supply Company, Inc. of Nevada; and other corporations and then claimed that investors could make large profits by purchasing a small quantity of white powder called "Activators." The cultures grown from these "Activators" then could be sold back to Culture Farms, Inc., in Lawrence, KS, at a great profit to the investors. For example, the defendants claimed that for an initial purchase of 10 Activators at a cost of $350, an investor could expect a potential income of $900 after a 15-week growing period because demand for cultures was extremely high. In fact, the only demand for cultures was the demand created by the defendants through the creation of several companies variously called Cleopatra's Secret, Inc., The House of Cleopatra's Secret, Inc., etc., which were created and promoted by the defendants to make it appear that there was a viable market for the cultures being produced by growers.

NEBRASKA

LINCOLN—Yellow Pages Blocked: On June 9, 1986, a temporary restraining order was issued by a U.S. District Court Judge against Nebraska Yellow Pages Directory of Lincoln, NE. Beginning in February 1986, the Nebraska Yellow Pages Directory sent direct mail solicitations in the guise of invoices to businesses in the State of Nebraska for advertising in the yellow pages. By their appearance, the solicitations seemed to originate from Frontier Directory, a local telephone company that publishes yellow pages. From February 1, 1986 to April 15, 1986, Nebraska Yellow Pages Directory received approximately 4,000 pieces of mail with an average payment of $100 enclosed in each piece. An administrative complaint against the defendants filed on May 29, 1986 by the U.S. Postal Service, formed the basis for issuing this injunction.

NEW JERSEY

DOVER—Nuclear Irradiation Company and Executives Indicted for Alleged Cover-up: A federal grand jury in Newark returned a nine-count indictment on June 24, 1986, involving a December 1982 spill of radiation contaminated water in Dover. Charges were filed against International Nutronics, Inc. (INC), headquartered in Palo Alto, CA, which owns and runs several irradiation facilities across the U.S. and two of its employees: Eugene T. O'Sullivan of San Jose, CA, a former employee of the Atomic Energy Commission and Vice President of INI, and Bruce J. Thomas of Somerville, NJ, Plant Manager of INI's Dover facility. The indictment specifically charged the corporation and the two employees with a conspiracy to conceal from the nuclear regulatory commission (NRC), a December 1982 release of contaminated irradiation water from INI's irradiation facility in Dover, and to use the U.S. mail and the wires in the defendants' scheme to defraud the NRC of the effective and unimpaired operations of its governmental functions to protect the health and safety of the public. The corporation and the employees also were charged with one count of actually concealing the December 1982 spill of radioactive water from the NRC, five counts of mail and wire fraud and two counts of failing to notify the NRC within 24 hours of when it became apparent that the spill would cause over $2,000 in property damage and loss of more than one day of operation. The Dover facility employed radioactive cobalt to destroy bacteria in certain organic products and to clarify certain quartz and semiprecious gemstones. The cobalt was kept under water in an irradiation pool. Prior to December 1982 it had come to the attention of INI's employees that the levels of radioactivity were unusually high in the pool. According to the indictment it was this water containing the cobalt and the high level of radioactivity that was pumped out of the pool and onto the floor of the facility when a filter pump ran overnight. Not only did the defendants allegedly fail to notify the NRC of the incident but the defendants took specific steps to conceal the release. Among these steps charged in the indictment was flushing the spilled water into the Dover community's sewer system, delaying an NRC inspection, chiseling holes in the wall and floors and placing lead wool in the holes and repainting over them, and placing liver meal along the walls. Employees were also directed to alter the way in which they wore radiation detection badges, in order to diminish the dosage recorded by the devices. According to the indictment, the NRC only first learned of the spill in 1983, almost a year after its occurrence. Since that time, after learning of the spill, the NRC has been involved in the extensive clean-up and final decommissioning of the Dover facility. (Inspector J. W. Loiacono)

NEWARK—Lawyer Sentenced to Just Short of Prison: On May 29, 1986, Attorney Charles B. Klitzman of Asbury Park, NJ appeared in U.S. District Court for sentencing. Prior to sentencing the judge told Klitzman that his activities were the sort of thing that brings "disrespect to the entire legal profession and feeds the fires of criticism against it." The judge further stated that were it not for Klitzman's serious medical problems (Klitzman suffers from acute diabetics which has resulted in amputation of a leg) there would have been "no question that a period of incarceration would be appropriate." Klitzman was then placed on probation for a period of five years, fined $10,000 and ordered to make restitution totalling $240,000 to victimized insurance companies within one year or face imprisonment at that time. Klitzman previously had entered a guilty plea on April 15, 1986, to violation of 18 USC 371 for his operation of a personal injury insurance fraud scheme in which he and two physical therapists defrauded numerous insurance companies by submitting false/inflated medical billings to obtain increased settlement values in auto and "slip and fall" claims.

NEW YORK

NEW YORK—Four Plead Guilty in Major Insider Trading Case: A joint investigation conducted by the U.S. Attorney for the Southern District of New York, Securities and Exchange Commission and Inspection Service, resulted in an indictment of five individuals in a major insider trading scheme. Indicted on May 29, 1986, were Michael David, formerly an associate at the major Wall Street Law Firm of Paul, Weiss, Rifkind, Wharton and Garrison; two analysts for Risk Arbitrageurs, Andrew Solomon, from Marcus Schloss and Company, and Robert Salsbury, from

Drexel, Burnham, Lambert and Company; Morton Shapiro, a stockbroker at Moseley, Hallgarten, Estabrook and Weeden, Inc.; and Daniel J. Silverman, the holder of a securities trading account at Moseley, on charges arising from an insider trading scheme in which David allegedly stole information from his law firm relating to proposed or anticipated corporate takeovers, disclosed it to the Arbitrageurs, and traded on it himself. Michael David et. al. were charged with multiple counts of mail fraud, securities fraud, conspiracy and perjury. David allegedly misappropriated from Paul, Weiss non-public information concerning proposed, anticipated and possible takeovers involving the clients of the law firm. David allegedly disclosed the information to his co-conspirators who purchased securities in violation of security laws and then used the mail in furtherance of the scheme. Specifically, three co-conspirators purchased "call option contracts" for stock of the clients of Paul, Weiss, and realized a $140,000 profit in 48 hours. The co-conspirators also purchased securities of five other firms based on non-public information. This investigation was initiated by a tip to the SEC from a co-worker of one of the co-conspirators. The SEC immediately passed the information to the U.S. Attorney who requested the assistance of the Inspection Service. Within hours of receiving the tip, Postal Inspectors and criminal investigators from the U.S. Attorney's office developed sufficient evidence to arrest Michael David on March 27, 1986. The May 29 indictment resulted from David's arrest and the subsequent investigation. The indictments brought to a total of 50 the number of people prosecuted for insider trading schemes. The Inspection Service has served as lead criminal investigative agency or has assisted the U.S. Attorney's office in the criminal investigations of 31 of the 50 individuals. In this particular investigation, everyone except Michael David, pleaded guilty on June 5, 1986, and agreed to cooperate in the continuing investigation.

NEW YORK—Oil and Gas Lottery "Boiler Rooms" Out of Business: Paul Goldberg, Richard Rossi, principals of East West Oil and Gas Corporation, 315 Fifth Avenue, New York, NY, and Terence Corwin, principal of Satellite Energy Corporation, 377 Fifth Avenue, New York, NY, pleaded guilty in Manhattan federal court (SDNY) to multiple counts of mail fraud and conspiracy to defraud. This investigation culminating in the guilty pleas began in January 1984. In March 1984 four New York oil and gas lottery boiler rooms were targets of federal search warrants executed by Postal Inspectors. These operations were planned and executed in conjunction with a nationwide effort to attempt to crack down on deceptive oil and gas lottery boiler rooms. All three defendants admitted to running boiler room operations to induce victims to pay large amounts of money for the chance to win the mineral rights on property capable of producing significant amounts of oil and gas. To induce victims to invest, sales personnel employed high-pressure sales techniques, using a steady flow of misrepresentations about the chance of winning a lease for a parcel of land; the value of such parcel; the interest of oil and gas companies in purchasing mineral rights of such parcels; the alleged "geological expertise" employed by the firms; and the selectivity in choosing a parcel to file on. Satellite and East West admitted they filed on almost all available parcels of land with no possible value and known in the industry as "goat pastures." Goldberg and Rossi admitted to selling filing services after the program was suspended by the U.S. Department of Interior. The U.S. Mails were extensively used in the scheme by the defendants' firms to transmit false information and receive funds. Satellite and East West bilked victims throughout the United States of more than $10,000,000.

NORTH CAROLINA

CHARLOTTE—Advance Fee Operation Halted: A federal grand jury returned a True Bill on June 4, 1986, charging Glen Beaver with 20 counts of mail fraud. The grand jury charged that from late 1985 until mid-December 1985, Glen Beaver, aka James R. Harrison, who operated the Universal Security and Universal Security Institute, concocted a fraudulent scheme to obtain money by inducing persons to pay him advance fees for loans which were unobtainable, and that he had no intention of obtaining the loans. Using the name James R. Harrison, Beaver placed advertisements in the *Star Magazine* and the *Globe Magazine*, offering money to loan on attractive terms. After receiving responses to the advertisements, Beaver provided the letter writers with a loan application through the mail, requesting them to return it with $60. The indictment charged that Beaver never furnished any loans to the applicants and diverted the money to his personal bank account.

OKLAHOMA

WHITE EAGLE—Two Mail Bombs Discovered: A mailed bomb was discovered at the White Eagle, OK, Indian reservation addressed to a maintenance employee in care of Ponca Tribal Project Director; however, after holding the parcel for almost two weeks, the Tribal Chief decided to open it. The parcel was partially opened when the Chief became suspicious and called the Fort Sill Army Bomb Disposal Team. Debris from the controlled detonation of the parcel contained pellets, screws and nails. On May 9, 1986, a second parcel containing explosives was received by a resident east of Ponca City, OK. The Oklahoma Highway Patrol Bomb Squad deactivated the parcel which contained a .45 caliber percussion cap, gun powder, pellets and an ignition device. On May 29, 1986, Postal Inspectors arrested Ervin Lee Nelson of Ponca City, OK, a maintenance employee at a local retail building. A warrant for Nelson's arrest was obtained after his fingerprints and handwriting were identified on the two parcels. A search warrant executed on the Nelson residence and garage revealed materials used to construct one of the bombs. Following his arrest, Nelson admitted constructing and mailing both devices. On June 3, 1986, a federal grand jury at Oklahoma City, OK, returned a two-count indictment charging Nelson with preparation and mailing of two bomb parcels.

PENNSYLVANIA

PHILADELPHIA—Insurance Operator Named in Indictment: A former Lancaster Insurance Agency owner was indicted on May 7, 1986, by a federal grand jury on four counts of mail fraud. Floyd L. Kelley, former owner and operator of Floyd L. Kelley Insurance, Inc., in Lancaster, PA was named in the indictment. According to the indictment, from 1981 to 1984, Kelley and agents acting in his behalf, solicited individuals to obtain universal life insurance from "North American Company for Life and Health Insurance" (NACOLAH). The indictment alleged that these individuals were persuaded to redeem prior insurance policies and send the balance to the Kelley Agency for application to their NACOLAH policies. The indictment also charged that approximately $289,525 in checks were subsequently received, deposited into Kelley's corporate account, and used for other purposes.

PHILADELPHIA—Seven Convicted in Insurance Fraud Scam Winter 85 Report: On May 2, 1986, a U.S. District Court jury convicted seven people on a total of 83 counts of mail fraud as a result of their activities involving faked automobile accidents which defrauded insurance companies of approximately two million dollars. After five weeks of trial, the jury found Joseph Houghton and his wife, Donna, guilty of 27 counts and 24 counts of mail fraud respectively. Also convicted were Nancy Cohan on three counts of mail fraud, Frank Livoy on 12 counts, his daughter, Lynda, on three counts and John Cassidy and his wife, Kathleen, on seven counts each. The convictions stem from a lengthy investigation conducted by the Postal Inspection Service which became aware of the ring's activities through notification by the Pennsylvania Insurance Department and the Insurance Crime Prevention Institute. The investigation revealed that the group operated from 1975 through September of 1985, and engaged in faking automobile and boating accidents, phony slip and fall claims, baggage claim losses and false reports of car break-ins. As a result of the investigation, a federal grand jury indictment was handed down charging that the seven used false names and identification; lied to insurance officials, police officers and medical personnel; forged documents and checks paid out by insurance companies; lied during pretrial depositions and court proceedings; and made material misrepresentations on insurance claim forms. The indictment also noted the seven used the money from this scheme to purchase lavish homes, expensive cars and boats, and as inducements to recruit others into the scheme. The defendants defrauded 20 insurance companies during the life of the scheme, and one of the principals, Joseph Houghton, had not held a regular job since 1978, living entirely off the proceeds paid out by insurance companies. Joseph Houghton, leader of the group, received a sentence of eight years in prison, was ordered to pay $23,000 in fines, and make restitution of $1,126,873 to the defrauded insurance companies. His wife, Donna Livoy Houghton, received a suspended prison sentence and five years probation, but was ordered to pay a fine of $14,000 and make joint restitution with her husband. Lynda Livoy received a suspended sentence and was placed on three years probation. Frank Livoy also received a suspended sentence and was placed on five years probation; however, he was ordered to ay a $12,000 fine and make restitution of $227,000. Also sentenced were John Cassidy and his wife Kathleen, who received suspended jail terms and were placed on five years probation. They were further ordered to each pay a $7,000 fine and make joint restitution of $91,264. The seventh member of the group, Nancy Cohan, will be sentenced later.

TENNESSEE

MEMPHIS—Arsonists Sentenced (Reference Winter 1985 Report): All four defendants in a Covington, Tennessee, arson-for-profit mail fraud case were sentenced July 16, 1986 as follows: William (Billy) H. Webb, Jr.—three years imprisonment and three years probation; John S. Wooten—one year and one day imprisonment, three years probation and restitution of $51,512 to the victim insurance company; George L. Cleveland—three years probation, 60 days incarceration at a halfway house-type institution and 300 hours community service; and Scotty L. Sartain—one year probation. The four defendants were indicted by a federal grand jury in December 1985. Wooten obtained the assistance of Cleveland and Sartain, both of whom worked for him at the time, in procuring Webb to burn the dilapidated Covington, Tennessee Oak Haven Motel in February 1982. Wooten, a prominent Chevrolet auto dealer, collected $51,512 from an insurance company as a result of the arson. He was convicted on May 9, 1986, on seven counts of mail fraud and one count of conspiracy. Webb, Cleveland, and Sartain pled guilty and testified against Wooten in the week-long trial. The General Motors Corporation has moved to cancel Wooten's auto dealerships.

MEMPHIS—Judge and His Crony Guilty of Mail Fraud: A federal court jury on July 11, 1986, convicted Shelby County, Tennessee, General Sessions Judge Ira Henderson Murphy, on all 13 counts in an indictment returned in December 1985. Murphy was convicted on 11 counts of mail fraud (false reports submitted to the State of Tennessee); one count of perjury before a federal grand jury; and one count of obstruction of justice (trying to bribe a federal grand jury witness to lie to the federal grand jury). The case involved the skimming of proceeds of a multi-million dollar bingo operation in Memphis in 1983 and 1984. Ronald J. Smith also was indicted in December 1985 in the same bingo investigation. As the bingo operator, he was convicted in May 1986 by a federal court jury in Memphis on all 38 counts of two separate indictments, charging mail fraud and income tax violations. Smith testified for the Government in the trial against Murphy.

TEXAS

DALLAS—Sheriff Indicted on Charges of Pornography: A federal grand jury returned a ten-count indictment on

May 21, 1986, charging Montague County, TX Sheriff, Harry James Walker, on ten counts relating to child pornography. Walker, who has been held in the Dallas County Jail since his arrest by Postal Inspectors and FBI agents on May 1, 1986, was indicted on two counts of persuading and enticing minors to engage in sexually explicit conduct for the purpose of taking a photograph of such conduct, knowing that the photograph would be mailed. These violations allegedly occurred in December 1983 and August 1984. The other eight counts of the indictment charged him with mailing photographs of children engaged in sexually explicit conduct on three occasions. After Walker's arrest at Bowie, TX, on May 1, 1986, a federal search warrant was served at his residence, resulting in the seizure of numerous child pornography magazines, photographs of minors engaged in sexually explicit conduct, and undercover correspondence. Walker has been sheriff of Montague County since January 1985.

HOUSTON—Prison Sentence for Pornographer: Kenneth Lynn Pierce pleaded guilty on April 23, 1986 to a one-count Criminal Information charging the sending of child pornography through the mail. Based on Pierce's guilty plea, he was sentenced to serve a term of four years in a federal prison. Pierce also was ordered to undergo psychiatric treatment while in prison.

HOUSTON—Foreign Nationals Arrested for Credit Card Theft: On April 25, 1986, Houston Postal Inspectors, assisted by Houston Police Officers and INS agents, arrested 18 Nigerian nationals on charges of possession of stolen mail. During the arrest, approximately 100 stolen credit cards were recovered. Inspectors also served 14 federal search warrants on residences of Nigerian nationals where they recovered large quantities of stolen mail, counterfeit Texas drivers licenses, and merchandise acquired through the use of the stolen credit cards. On the previous day, 19 Nigerian nationals were indicted by a federal grand jury on charges of possession of stolen mail. These indictments were the result of an investigation which included the use of a store front operation "sting operation" in the name of *"KELLY AND CLAUSON, INC."* The store front operation employed a Nigerian informant who accepted stolen credit cards on a 50% split basis with a Nigerian gang that he had previously infiltrated. It began operation on February 20, 1986, and had accepted approximately 150 stolen credit cards by the time of the arrests. Postal Inspectors had previously arrested 12 Nigerian nationals as a result of investigations involving the submission of approximately 150 false changes of address and numerous other thefts of mail from apartment mailrooms.

LUBBOCK—Bail Bond Business Charged With Fraud: Harrol Jerry Holley was arraigned July 21, 1986, before a U.S. District Judge on a 42-count indictment returned June 26, 1986. The indictment charged Holley with mail fraud, wire fraud, interstate transportation of funds, and aiding and abetting. Between June 1984 and August 1985, Holley allegedly sold investment contracts in his cash bail bond business, and accumulated more than $11,000,000 from over 800 investors by making several misrepresentations about the use of investor funds. He allegedly devised a scheme in which investors were induced to provide money that was ostensibly to be used for the posting of "cash bail bonds" throughout west Texas and eastern New Mexico. Investors received up to 7.5% per week return on their investment prior to the pyramid scheme collapsing on August 22, 1985. Information was developed during the mail fraud investigation that led to federal firearms charges against Holley. He pled guilty to a two-count information February 17, 1986 and was sentenced on July 21, 1986, to concurrent terms of three years in prison on the two counts.

VERMONT

BURLINGTON—Father and Son Sentenced for Defrauding Postal Service (Fall 1985 Report): Charles L. Starr, Jr., and C. Lawrence Starr, III (father and son) were sentenced in U.S. District Court on May 2, 1986 for their February 6, 1986 conviction of mail fraud, wire fraud and criminal conspiracy. Each were sentenced to two years in prison, three years probation, a $10,000 fine and $50,000 restitution to the U.S. Postal Service. The Starrs owned and operated American Mailing Systems (AMS), a Burlington, VT bulk mailing service that had customers throughout the United States; however, approximately $600,000 paid to AMS for postage was diverted to the personal use of the Starrs. The diversion of the postage was accomplished by mixing and burying customers' third class bulk mailings with different postage amounts, and then paying only the lower rate on all the mail. The Starrs then made up false mailing documents to be sent to their customers to show that the full amount of postage had been spent. The United States and Canadian Postal Services were deprived of about $600,000 in postage revenue, but incomplete mailing records maintained by customers of AMS allowed for an indictment charge of only $400,000. The total postage received by AMS during the indictment period was $3.1 million.

WASHINGTON

SPOKANE—Indictment for Charity Scam: On July 14, 1986, a federal grand jury returned a five count indictment against Olin R. Morgan aka Ray O. Nicholson, for violations of the Mail Fraud Statute. The grand jury charged that Morgan operated a scheme in Yakima, Washington between January and March 1985 when he requested money be mailed to a post office box for tickets to a local country western concert. Morgan falsely represented that a local charity would receive a $500 donation from the profits of the concert, but failed to provide the money as stated. He also was charged with allegedly converting all funds received to his personal use; failing to produce the concert as promised; and failing to make refunds to those who purchased tickets. Over 400 people mailed over $11,000 to Morgan.

WEST VIRGINIA

WHEELING—Prison Term for Blue Cross Embezzlers: On July 10, 1986 a federal judge in U.S. District Court in the Northern District of West Virginia sentenced Richard Huff to a five year prison term, five years probation after his prison term, and ordered him to pay $265,098 in restitution on one count of conspiracy and one count of mail fraud (Title 18, USC, Sections 371 and 1341). Huff had entered a guilty plea on April 29, 1986 to the above charges, which stemmed from his involvement in a computer fraud embezzlement from Blue Cross/Blue Shield. Huff was an Internal Auditor for Blue Cross/Blue Shield, and he and five other defendants embezzled over $500,000 from Blue Cross/Blue Shield by manipulating the company's computer. On July 11, 1986, the five other defendants pled guilty to an Information outlining each's involvement in one count of conspiracy (Title 18, USC, Section 371). The five others are Robert Huff, Joyce Burge, Rixon Barrett, William Savage and Linda Loughridge.

WISCONSIN

MILWAUKEE—Unappreciated Artist Goes to Prison: On May 1, 1986, William Christian was sentenced to ten years imprisonment by a U.S. District Court Judge. For approximately seven years, Christian had unlawfully manufactured and sold false identification documents which were used to cash checks stolen from the mail. During the past year, documents produced by Christian were also used by several accomplices, using assumed names, to defraud welfare agencies of benefits. Christian received one-third to one-half of all money obtained. Christian pleaded guilty to two counts of producing fake birth certificates and social security cards, one count of using an assumed name and one count of mail fraud. During sentencing, the judge referred to Christian as a career criminal who could only be stopped by a stiff prison sentence. The ten year federal sentence is to be served consecutive to the ten year state sentence Christian received for violating his parole. His parole was revoked as a result of this investigation. Christian is known as an accomplished artist who explained he had turned to illegal activities in order to "finance an art gallery." (Inspector J. Belz).

MILWAUKEE—Two Indicted on Coupon Fraud Charges: Roger A. Grady and Daniel Kronenberg were arrested at their residences by Postal Inspectors on July 14, 1986, based on the indictments handed down by grand juries on July 8, 1986. The indictment alleged that between January 1, 1985 and June 1, 1986, Grady and Kronenberg devised a scheme to defraud various newspapers. Specifically, the indictment charged that the pair, acting under the name of Thompson Agency and/or New Vistas Agency, placed advertisements for their coupon business in hundreds of newspapers across the country. It was charged that the two then directed their creditors to forward bills to private answering services and various mail drops. Both men then allegedly failed to pay for the advertisements while continuing to place new advertisements with different newspapers. Grady and Kronenberg had formerly operated various coupon businesses in Milwaukee known alternatively as the Coupon Club, Coupons are Gold, Coupon World, and/or Eventually Free, advertising that for a membership fee individuals could purchase manufacturer's retail coupons at less than face value. Over 600 newspapers in 48 states were victimized by this scheme with a total loss of approximately $200,000.

CIVIL ADMINISTRATIVE ORDERS

Satisfactory evidence has been presented to the Postal Service that the following companies and/or their agents and representatives are engaged in the conduct of a scheme or device for obtaining money or property through the mails by means of false representation in violation of 39 U.S. Code 3005 (formerly U.S.C. 4005). Therefore, the Postal Service Judicial Officer has issued an order to the appropriate postmasters directing the return to senders all mail related to the scheme or device (except refund requests) and forbidding the payment of any Postal Money Order relating to the scheme or device. All mail which is returned to senders is marked "Return to Sender; Order Issued against Addressee for Violation of False Representation Law."

1. CHEMGLO INCORPORATED
P.O. Box 386
Allendale, NJ 07481
With respect to merchandise misrepresentation—invoices

2. DIRECTOR DATA PROCESSING CENTER
AND
R. JONES & MULTIPLEX MKT. & MGM CO.
1552 Hertel Avenue
Buffalo, NY 14216
With respect to false billing—breach of consent agreement

3. MILLIONAIRE
P.O. Box 4284
Warren, OH 44482
With respect to lottery—"Millionaire Plan"

4. HI-TECH PRODUCTS
717 Central Avenue
Kansas City, KS 66110
With respect to medical—diet "Hi Tech Diet Pills"

5. MIDWEST SUBSCRIPTION SERVICE
612 N. Michigan
Chicago, IL 60600
With respect to false billings—magazines

6. U.S. DIRECTORY PUBLISHING CO.
612 N. Michigan
Chicago, IL 60611
With respect to false billing—publication ads

7. ROCKY MOUNTAIN TRADERS
125 E 32nd Street Suite 810
Durango, CO 81301
With respect to misrepresentation of merchandise—"$98,415 can be earned" promotion

8. MIDWEST SUBSCRIPTION SERVICE
612 N. Michigan
Chicago, IL 60600
With respect to false billings—magazines

9. MANAGEMENT INTERNATIONAL
P.O. Box 1510
FDR Station, NY 10150
With respect to false billing—invoices

10. MO-KAN DIRECTORY CO.
P.O. Box 567
Joplin, MO 64802
With respect to directory solicitations for advertising

11. UNITED SALES
P.O. Box 59
Addison, IL 60101
With respect to work at home plan

12. NUTRIMARKETING
AND
DREAM AWAY
6835 Valjean Avenue
Van Nuys, CA 91406
With respect to medical-reducing—"Dream Away"

13. CAR CREDIT CORPORATION
P.O. Box 519
Arlington Heights, IL 60006
With respect to solicitations—credit card applications

14. B. NOCHES LTD
AND
MARKET & RESEARCH DEPARTMENT
365 Karen Avenue
Los Cruces, NM 88005
With respect to a lottery—envelope stuffing

15. VITA-HEALTH RESEARCH
AND
NUTRITIONAL RESEARCH
369 E. 17th Street
Costa Mesa, CA 92626
With respect to diet products—Origi-Nine/Fast Trim/Energetic Contour Creme

16. D. ROBERTS
372 Fairburn Rd.
Atlanta, GA 30331
With respect to a Work-at-Home Plan—Envelope Stuffing

17. NUTRI-CAL Inc.
270 Greenwich Ave.
Greenwich, CT 06836
With respect to a Weight Reduction product—"Nutra-Cal"

18. ROBERT THOMPSON
P.O. Box 3243
Chicago, IL 60654
With respect to Multi-level Distributorships

CONSENT AGREEMENTS

The mail order activities of the businesses listed below received attention with respect to alleged violations of Title 39, U.S. Code, Section 3005, False Representation Statute, based on representations made in their advertisements. The firms agreed to the following:

A. Without admitting the falsity of their advertisements they agreed that the alleged false representations may be reasonably construed by a normal reading of the advertisement.

B. That the use of this promotional material has been permanently discontinued and will not be resumed directly or indirectly under any other name, address, corporation or other device.

C. That advertisements making representations similar to the representations alleged will never again be used in the sale of the same or similar product.

1. VICTOR CAMPFIELD
19000 Duval Road
Moseley, VA 23120
Subject: Lottery—chain letter

2. T.R. CATLIN
7 Fitch Street
P.O. Box 85
Churchville, NY 14428
Subject: Work at home plan—mailing circulars

3. BIO LINE
P.O. Box 264
Voorheesville, NY
Subject: Medical-Health claims—Bio Line Mist, Bio-Line Messaging Gel, Bio-Line Catalyst Water,Bio-Line Drops, (cancer and other disease cures)

4. D H COMPANY
281 N Bishop Avenue
Clifton Heights, PA 19018
Subject: Work at home plan—envelope stuffing

5. HENRY N. KIMBROUGH
Route 1, POB 123
Weir, MS 39772
Subject: Failure to pay for merchandise

6. ANDREW MANN
P.O. Box 299
White Marsh, VA 23183
Subject: Distributorship

7. RPM
1236 Wheatfield Drive
Harrisburg, PA 17112
Subject: Distributorship

8. KEVIN J. GALLEN
111 Yale Road
Havertown, PA 19083
Subject: Merchandise misrepresentation—advertising stamps

9. RICHARD G. HENRY
6805 Mayfield Road
Mayfield Heights, OH 44124
Subject: Failure to pay for merchandise—books

10. CREDIT EXTENSION BUREAU
3020 Bridgeway, S 435
Sausalito, CA 94965
Subject: Merchandise misrepresentation—loans/credit cards

11. RICHARD PITZER
P.O. Box 633
Jeannette, PA 15644
Subject: Distributorship—chain letter plan

12. GLORIA DAWSON
Route 1
Box 445
New Cumberland, WV 26047
Subject: Distributorship—chain letter plan

13. PHYLLIS CARTER ENTERPRISES
481 Nassau Avenue
Boling Brook, IL 60439
Subject: Work at home plan "$45,000 in 3 wks"

14. LUCKY WINNERS
308 Cedar Street
Chilhowee, MO 64733
Subject: Lottery

15. P. LOFTICE
AKA
PHYLLIS A. LANDER
P.O. Box 37
McKinney, TX 75069
Subject: Work at home plan—envelope stuffing

16. BETA SIGMA PHI EXCEPTIONAL CHILDREN'S DAY PROGRAM
P.O. Box 17156
Huntsville, AL 35810
Subject: Solicitations—telephone

17. B. NOCHES LTD
AND
MARKET & RESEARCH DEPARTMENT
365 Karen Avenue
Las Cruces, NM 88005
Subject: Lottery

18. NATIONAL MAIL ORDER COMPANY
P.O. Box 85453
Los Angeles, CA 90072
Subject: Work-at-Home Plan

19. DICK STACEY
P.O. Box 8483
Puducah, KY 42002
Subject: Multi-level distributorship

20. DONALD R. BAYNES
3293 E 121st Street
Cleveland, OH 44120
Subject: Failure to furnish merchandise—comic books

21. INCREASED INCOME INC.
1208 Marion Street
Scranton, PA 18509
Subject: Work at home plan

22. HANS JOSEPHSON
190 East Main Street
Pen Argyl, PA 18072
Subject: Multi-level distributorship

23. CLASSIFIED TELEPHONE DIRECTORY
P.O. Box 33399
Detroit, MI 48232
Subject: False billings—telephone directory

24. G & G DISTRIBUTING
AND
ARK MAILERS
1311 Naples
Stafford, TX 77477
Subject: Work at home plan—envelope stuffing

25. DONNA GUELKER
14686 Bagley Road 206
Cleveland, OH 44130
Subject: Coupon rebate

26. DONNA VAN ASTEN
209 N. Roger Street
Kimberley, WI 54136
Subject: Coupon rebates

27. IAN DORHERTY
AND
IDCO
27840 Berkshire
Southfield, MI 48076
Subject: Misrepresentation of merchandise—"free car every year"

28. EXPRESS COPY SUPPLIES INC
P.O. Box 630614
Miami, FL 33163
Subject: False billings—solicitations

29. S L B
2778 Hargrove Road S 201
Smyrna, GA 30080
Subject: Work at home plan—envelope stuffing

30. BAOSU INTERNATIONAL INC.
110 E 9th Street
Los Angeles, CA 90079
Subject ;Medical—reducing "Sou Tsian Tea" Envelope Stuffing

31. CREDIT CONSULTING
P.O. Box 9119
College Station, TX 77840
Subject: Misrepresentation of merchandise—credit cards

32. ADVANCE & EXCELL
P.O. Box 1602
Glen Burnie, MD 21061
Subject: Work at home plan—recipes

33. OWENSBORO MARKETING, INC.
2219 Frederica Street
Owensboro, KY 42301
Subject: Failure to furnish merchandise—bonus pipe offer

34. HENRY E. ISAACS
1241 G Street, NE
Washington, DC 20002
Subject: Multi-level distributorship

35. TWAA
12229 Village Square Terrace
Rockville, MD 20852
Subject: Work at home plan—envelope stuffing

36. SCHELLER CONCEPTS
P.O. Box 1233
Ballwin, MO 63022
Subject: Work at home plan—circular mailing

37. SCHELLER CONCEPTS
P.O. Box 1233
Ballwin, MO 63022
Subject: Work at home plan—envelope stuffing

38. R R ENTERPRISES
AND
FRAN'S GIFTS
927 Eastbrooke Lane
Rochester, NY 14618
Subject: Work at home plan

39. M/R TESTING
P.O. Box 41
Omaha, NE 68101
Subject: False billing scheme

40. BOB BOWMAN
4301 Dustin Road
Burtonsville, MD 20866
Subject: Distributorship—chain letter

41. SMITH ENTERPRISES
AND
SMITH & SMITH ASSOCIATES
200 Park Road
Maiden, NC 28650
Subject: Work at home plan—envelope stuffing

42. WILLIAM H. WILKE
36555 Chestnut Ridge
N. Ridgeville, OH 44035
Subject: Chain letters—recipes

43. AMERICAN MANAGEMENT RIGHTS, INC.
104 W. Pike Street
Canonsburg, PA 15317
Subject: Lottery

44. MOUNTAIN ENTERPRISES
P.O. Box 14516
Toledo, OH 43614
Subject: Misrepresentation of merchandise—advertising stamps

45. RANDY LESTER ENTERPRISES
404 North East Street
Coudersport, PA 16915
Subject: Misrepresentation of merchandise—advertising stamps

46. THOMAS WAYNE DUNCAN
6040 Valleydale Drive
Memphis, TN 38115
Subject: Failure to pay for merchandise

47. L & M BUSH
4327 Gram
Waco, TX 76705
Subject: Work at home plan—envelope stuffing

48. E D ENTERPRISES
5405 Chickadee Lane
Lyndhurst, OH 44124
Subject: Work at home plan—envelope stuffing

49. CLASSIC COIN & STAMP
P.O. Box 94637
Cleveland, OH 44107
Subject: Failure to furnish merchandise—coins/stamps

50. LARRY GARY
P.O. Box 9711
Philadelphia, PA
Subject: Misrepresentation of merchandise—"Money Secret Plan"

51. V M ENTERPRISES
P.O. Box 3752
Springfield, IL 62708
Subject: Work at home plan—envelope stuffing

52. CHER VANG
2500 Pleasant Avenue S
Minneapolis, MN 55404
Subject: Work at home plan—envelope stuffing

53. THEOPHAS JOHNSON
660 Dill Avenue
Atlanta, GA 30310
Subject: Work at home plan—envelope stuffing

54. INFORMATION GATHERING SERVICE
E Second Street
E. Brady, PA 16028
Subject: Distributorship—sale of cassette tapes

55. JEFFREY S. GIBSON
P.O. Box 9691
Pittsburgh, PA 15226
Subject: Distributorship

56. J & D MANAGEMENT
P.O. Box 1903
New Caney, TX 77357
Subject: Work at home plan

57. J & S PRODUCTIONS
P.O. Box 1464
Waynesboro, VA 22980
Subject: Distributorship

58. J B ENTERPRISES
P.O. Box 68
Chelsea, OK 74016
Subject: Work at home plan—envelope stuffing

59. FEDERAL FUNDING SERVICES
P.O. Box 33524
Houston, TX 77033
Subject: Advance fee for loans and grants

60. CONSUMER CREDIT CORPORATION
500 Union Street
Seattle, WA 98101
Subject: Applications for credit cards

61. CAROL MUGEL
4841 Edgewood N.
Minneapolis, MN 55428
Subject: Work at home plan—envelope stuffing

62. NATIONAL MAIL ORDER COMPANY
P.O. Box 85453
Los Angeles, CA 90072
Subject: Work at home plan

63. NATIONAL BUSINESS SYSTEMS, LTD
1742 Second Avenue
New York, NY 10128
Subject: False billing—office supplies

64. IVAN R. BALL, INC.
P.O. Box 5198
Cincinnati, OH 45205
Subject: Loans—credit cards

65. G T ENTERPRISES
P.O. Box 48
Elmhurst, IL 60126
Subject: Misrepresentation of merchandise—sale of information (which can be obtained free of charge)

66. BARRINGTON'S CAB COMPANY
Barrington, IL 60010
Subject: Membership in a prepaid taxi service

67. TELEPHONE REPAIR SERVICE
P.O. Box 1417
Barrington, IL 60010
Subject: False billings—telephone service repair

68. EDWARD KILE
6274 Stover Avenue
Cincinnati, OH 45237
Subject: Coupon refunds—rebates

69. S C KNIGHT ENTERPRISES
P.O. Box 924
Bellevue, NE 68005
Subject: Work at home plan—envelope stuffing

70. UNIVERSAL TRADING, INC.
P.O. Box 466
Pembina, ND 58271
Subject: Work at home plan—envelope stuffing

71. KYLE ADDISON
AND
RK MAIL ORDER
P.O. Box 49413
Austin, TX 78765
Subject: Distributorship—mail order solicitation

72. PENNSYLVANIA PROFESSIONAL BUSINESS DIRECTORY
P.O. Box 2741
Harrisburg, PA 17105
Subject: Sale of telephone directory

73. VITATRITION SYSTEMS, INC.
P.O. Box 286
Mt. Royal, NJ 08061
Subject: Medical sex product "Vita-Sex"

74. HENRY N. KIMBROUGH
Rt. 1, P.O. Box 123
Weir, MS 39772
Subject: Failure to pay for merchandise

75. SMART MONEY PEOPLE CLUB
17 N. State Street
Chicago, IL 60602
Subject: Distributorship—"The American Way"

76. NEBRASKA YELLOW PAGE DIRECTORY
2310 N 1st Street
P.O. Box 83435
Lincoln, NE 68501
Subject: Directory solicitations

77. BARIATRIC TECH LABORATORIES
AND
TRI LAMBDA CORPORATION
P.O. Box TL
Coram, NY 11727
Subject: Medical Diet—Fat Neutralizer and Reducing Cream

78. MIGHTY CLOUD PRODUCTIONS, INC.
231-32 Merrick Blvd.
Laurelton, NY 11413
Subject: Work at home plan

79. NATIONAL MARKETING SERVICE
5 Elaine Pl.
Spring Valley, NY 10977
Subject: Work at home plan

80. PTD
280 S. Lakeview Road
Vidor, TX 77662
Subject: Work at home plan—envelope stuffing

81. PARKDALE ASSOCIATES
P.O. Box 5487
Richardson, TX 75080
Subject: Merchandise misrepresentation—signature loans

82. TMT ENTERPRISES
P.O. Box 801
Bridgeton, MO 63044
Subject: Work-at- Home Plan—Envelope Stuffing

83. DHG ENTERPRISES
P.O. Box 71437
Charleston Heights, SC 29415
Subject: Distributorship—Chain Letters

84. MONEY MASTERS
17853 Santiago Blvd.
Villa Park, CA 92667
Subject: Distributorship

85. GAYLE H. BIVANS
403 McKenzie Rd.
Stanley, WI 54768
Subject: Lottery

86. ROYAL LTD
5854 Chew Ave.
Philadelphia, PA 19138
Subject: Work-at-Home Plan

87. DONALD G. KARNS
P.O. Box 104
Central, SC 29630
Subject: Distributorship

88. DIVERSIFIED MARKETING
R316 Meadow Ave.
Scranton, PA 18505
Subject: Distributorship

89. ATARI PUBLICATIONS
P.O. Box 50
Slate Hill, NY
Subject: Work-at-Home Plan

90. REWARD AMERICA
P.O. Box F195-188
Blaine, WA 98230
Subject: Distributorship—Memberships

91. SUPERIOR ENTERPRISES
P.O. Box 12443
Chicago, IL 60612
Subject: Work-at-Home Plan—Envelope Stuffing

92. ILLINOIS SERVICES
220 S. David
Springfield, IL 62703
Subject: Loans

93. KAISER & TYE MARKETING
1437 S. Sedgwick
Wichita, KS 67213
Subject: Work-at-Home Plan

94. AKRAM
P.O. Box 3567
Chicago, IL 60690
Subject: Work-at-Home Plan—Envelope Stuffing

95. RYAN CORPORATION
6515 Majors Lane
Decatur, IL 62521
Subject: Work-at-Home Plan—Lottery

96. BARBARA GORDON/JULIE MADDEN
310 Franklin STreet
Boston, MA 02110
Subject: Solicitations through Photographs and Telephone Numbers

97. CHARLES VASS
6236 S. Troy
Chicago, IL 60629
Subject: Work-at-Home Plan—Envelope Stuffing

98. LEWIS
P.O. Box 1027
Westminster, CO 80030
Subject: Work-at-Home Plan

99. NUTRAMIN
2355 Bailey Hill Rd.
P.O. Box 7582
Eugene, OR 97405
Subject: Medical—Body Builder "Nutritional Miracle"

100. PAUL GILROY
P.O. Box 785
Lanham, MD 20706
Subject: Distributorship

101. GARY DECRENY
3934A Germantown Pike
Collegeville, PA 19426
Subject: Distributorship

102. CREATIVE FINANCES
P.O. Box 8120
Omaham, NE 68108
Subject: Work-at-Home Plan—Envelope Stuffing

For assistance with postal-related problems of a law enforcement nature, please contact the closest Inspection Service Headquarters.

Postal Inspector in Charge
P.O. Box 16489
Atlanta, GA 30321-0489

Postal Inspector in Charge
P.O. Box 1856
Baltimore, MD 21203-1856

Postal Inspector in Charge
P.O. Box 2767
Birmingham, AL 35202-2767

Postal Inspector in Charge
P.O. Box 2217
Boston, MA 02205-2217

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Buffalo, NY 14203-2545

Postal Inspector in Charge
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Cleveland, OH 44101-0726

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Indianapolis, IN 46222-1669

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Kansas City, MO 64141-1606

Postal Inspector in Charge
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Miami, FL 33152-0772

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P.O. Box 788
Milwaukee, WI 53201-0788

Postal Inspector in Charge
P.O. Box 509
Newark, NJ 07101-5901

Postal Inspector in Charge
P.O. Box 51690
New Orleans, LA 70151-1690

Postal Inspector in Charge
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New York, NY 10001-7801

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POSTAL INSPECTION SERVICE

law enforcement report

Fall 1986

P1.29/2:

The Law Enforcement Report is published quarterly by the Postal Inspection Service in the interest of informing the public of postal crimes. It features primarily mail fraud cases, consent agreements and civil administrative orders, although other postal-related investigations, such as post office burglaries, holdups, mail order pornography and bomb mailings, are featured. Distribution of the Report is made to newspapers, Better Business Bureaus, Chambers of Commerce, consumer organizations, law enforcement agencies, and members of the public involved with direct mail marketing.

For assistance with a postal related problem of a law enforcement nature, a list of Inspection Service field locations appears in the back of the Report.

Charles R. Clauson
Chief Postal Inspector

CHIEF POSTAL INSPECTOR
Washington, DC 20260-2100

WORK-AT-HOME FRAUDS

Each year thousands of people answer offers of work-at-home employment, thereby helping unscrupulous promoters pocket millions of dollars.

Customers are an attractive target for promoters selling phony money-making opportunities through the mail. Unfortunately, few profits are realized from these promotions by anyone except the swindlers. Although the individual monetary investments are small, the number of victims and total money lost to these schemes is substantial.

The most common of these frauds are those offering employment at home stuffing envelopes and/or mailing circulars. The promotions usually are aimed at the elderly, the disabled, the unemployed, and spouses who want to supplement their family's income. They promise good pay for work requiring no special skills which can be performed during spare time "in the comfort of your own home."

Promises are made that there is a market for certain products when there is none, or that the promoter will buy the products back, when, in fact, the promoter will not. In practically all businesses, envelope stuffing has become a highly mechanized operation using sophisticated mass mailing techniques and equipment which eliminates any profit potential for an individual doing this type of work at home. The Inspection Service knows of no work-at-home promotion that ever produces income as alleged.

Fraudulent work-at-home schemes usually are advertised under "Help Wanted" or "Business Opportunities" sections of newspapers and magazines, on matchbook covers, through phone solicitations or sophisticated direct-mail advertisements. Most have the same type of come-on, "EARN $400 OR MORE PER MONTH IN YOUR HOME—NO INVESTMENTS NECESSARY—CHOOSE YOUR OWN HOURS—" and so on. No matter how professional or legitimate the offer sounds, consumers should beware of advertisements if they involve any of these elements:

- A request to send money—for any reason.
- Claims of ENORMOUS EARNINGS, BIG MONEY, GUARANTEED SALARY, for work done IN YOUR SPARE TIME.
- No experience or skills necessary.

One work-at-home swindler operating through five different company names and addresses enticed over 25,000 persons across the country to invest $12 each with promises of income ranging from $180 to $500 per week. The promoter placed classified advertisements in daily and weekly newspapers from the west coast to the east coast and mailed promotional material throughout the country soliciting homeworkers to join his program and earn a weekly salary just by stuffing envelopes. For a $12 application fee, those responding to the advertisements received a "starting kit" for the program, along with claims that the work consisted primarily of addressing envelopes and inserting circulars, and promises that they would not be required to buy anything else. No one received any envelopes to address or stuff, nor did they receive a weekly paycheck. What they received for the $12 was a booklet written by the promoter explaining, "How to Make Money in Mail Order." The secret? Place advertisements similar to the ones which enticed the victims to invest in the program, and solicit additional people to join.

Another promoter induced persons to invest in a similar swindle by telling them that his firm represented 50 major companies which paid commissions to have circulars mailed. Over 9,800 people responded and they, too, were told to place advertisements in newspapers conning other individuals to invest in this swindle. Although the operators of this scheme were fined and sentenced to prison on mail fraud charges, this was of little solace to those who lost their investment trying to earn some needed extra income.

The Postal Inspection Service is responsible for investigating violations of the Mail Fraud and False Representation Statutes and wants to prevent people from becoming victims of phony work-at-home schemes.

Individuals who have information about questionable work-at-home promotions or believe they have been victimized by one of these schemes should contact the Postal Inspection Service or their local postmaster.

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STATE REPORTS

State reports featured in this publication are representative of a variety of civil and criminal investigations carried out by the Postal Inspection Service and are not all-inclusive of its activities during the quarter.

ARKANSAS

FORT SMITH—Arson for Profit Proves Unprofitable: On July 28, 1986, James V. Clark and Sammy N. Harp were sentenced for their participation in an arson for profit scheme. Clark and Harp had earlier entered pleas of guilty to conspiracy to commit arson and mail fraud. Clark received 30 months in prison and four years probation upon his release. Harp was sentenced to 18 months in prison and three years probation upon his release.

LITTLE ROCK—Vet Sentenced in Horse Killing Scheme (Summer 1986 Report): Dr. Thomas E. Watson, DVM, Miami, FL, was sentenced on July 29, 1986 by a U.S. District Judge for his part in a scheme to defraud insurance companies by over-insuring quarter horses and then killing the horses in order to collect the insurance proceeds. Dr. Watson must serve three years in prison, three years probation upon his release, pay $4,000 in fines and make $10,000 in restitution. According to participants in the scheme, Dr. Watson developed the methods by which several of the horses were killed. (Inspector H. L. Stuart)

CALIFORNIA

LOS ANGELES—Carrier Murderer Sentenced On September 5, 1986, in Orange County Superior County Court, Gabriel DeLuca was sentenced to 26 years to life in California State Prison for the murder of a Postal Service Letter Carrier. Probation was denied. If DeLuca is ever paroled, he is to remain on parole for life. DeLuca will be eligible for parole in 1999. (Inspector T. M. Fail)

LOS ANGELES—Finis to the Blue Bandana Gang (Summer 1986 Report): On August 4, 1986, in U.S. District Court for the Central District of California, Velton Lamont Boone was sentenced to twenty-five years in federal prison, to run concurrent with state prison time he is serving. Boone must serve one-third of the sentence before he is eligible for parole. Boone is the last of the "Blue Bandana Gang" to be convicted and sentenced for a string of armed postal robberies committed in the Los Angeles area from December 1984 through March 1985. (Inspector E. J. Fulsom)

LOS ANGELES—Five charged in Treasury Check Swindle: On August 22, 1986, a Los Angeles Grand Jury indicted the following individuals on 14 counts of mail fraud, conspiracy, false claims against the government, and converting/forging/passing Treasury checks: Celia Mata Sanchez Rivas (mother); Andres Mata Sanchez (son); Teresa Sanchez Navarette (daughter); Jose deJesus Navarette (son-in-law); and Rachel Mata Santillanes (daughter). The defendants are accused of conspiring to file false 1984 and 1985 federal income tax returns seeking refunds of at least $35,000. Also involved in the scheme were Luis and Alonzo Mata, Celia Rivas' brothers, who are death row inmates at Arizona State Prison in Florence, Arizona. Both prepared bogus returns in prison for their families, friends, and at least one other death row inmate. Rivas and her family sent the returns to the IRS. Some refund checks were then mailed to and cashed by Rivas and the others. (Inspector J. J. Crivelli)

LOS ANGELES—Conviction in Postal Murder: On September 2, 1986, a federal jury convicted Kerry Lynn Brown of first-degree murder for the shotgun slaying of U.S. Postal Service employee Dale J. Hooker on April 26, 1986. Under federal laws, Kerry Brown faces mandatory penalty of life imprisonment; currently, there is no federal death penalty for murder. The jury also convicted Brown of violation of Title 18, United States Code, Section 924(c), Knowingly Using a Firearm, Act of a Crime of Violence. The penalty for violation of this statute is five years imprisonment. The evidence at trial showed that Brown had a clear view of Mrs. Hooker, a uniformed postal mail carrier, through the screen door, as he stood inside his parents' house on Saturday, April 26, 1986. The mail carrier was delivering the mail on the porch of the home when she was shot by Brown at pointblank range with a 12-guage shotgun. Several seconds later, he shot her again in the back as she tried to get away. The evidence showed that Brown did nothing to summon help for Mrs. Hooker as she lay outside his window bleeding to death, but did various things over the next two hours to suppress evidence and plan a defense. Brown was arrested at his parents' home in Los Angeles by the Los Angeles Police Department on April 26, 1986, and taken into federal custody four days later. On May 7, 1986, he was ordered detained pending trial. This prosecution is the result of a joint investigation by the Postal Inspection Service and the Los Angeles Police Department. (Inspector R. N. Carwell)

LOS ANGELES—Pair Charged With Filing False Tax Returns: A Los Angeles grand jury indicted John Robert Speidel and MacDonald Julius Jackson on 10 counts of mail fraud, 10 counts of filing false federal income tax returns, and one count of conspiracy. A third defendant, unindicted co-conspirator Donald Henderson, is expected to plead to a one-count mail fraud information for his part in the scheme. Speidel, a Pomona, CA, developer and businessman, and Jackson, a Los Angeles disbarred attorney, were accused of preparing at least 101 fraudulent 1985 federal income tax returns using false names, Social Security numbers, and W-2 information. All returns bore the same return address, a post office box at a commercial mail and answering service which was opened by Henderson, using a fictitious name. (Inspector J. J. Crivelli)

LOS ANGELES—Vacation Con Man Goes to Prison: James Raymond Quincy was convicted on June 26, 1986 on a total of 41 counts of mail fraud, wire fraud, interstate transportation of stolen property, conspiracy, and Racketeer Influence corrupt Organization (RICO). He was sentenced on October 6, 1986 to a seven-year prison sentence for the RICO violation, and five years on each of the remaining 40 counts to run concurrently. This was the second trial for Quincy on charges brought in the District of Hawaii in July 1984 for the fraudulent promotion of time shares in the Paradise Palms Vacation Club. The first trial for Quincy in Honolulu in March 1986 resulted in a hung jury. Another defendant in this multimillion dollar case, Ben F. Kirk, was found guilty October 10 on 53 counts of mail fraud, five counts of wire fraud, three counts of interstate transportation of stolen property, one count of conspiracy, and one count of RICO (Inspector W. E. Gray)

SAN DIEGO—Envelope Stuffer Target of Civil Action: A complaint for civil penalties (39 USC & 3012) was filed in U.S. District Court September 5, 1986 against Sammy Y. Ip, for his conduct of an envelope-stuffing scheme. It is the first case to be brought under a law which strengthens the authority of the Postal Service to enforce its mail stop orders (39 USC, 3005). The law provides for the imposition of up to $10,000 per day in civil penalites against any person found to be violating a cease and desist order issued by the Postal Service. The complaint charged that Sammy Ip was evading the effect of a false representation order and failed to comply with a cease and desist order, both issued by the Postal Service on November 29, 1985, by soliciting money through the mail from the public for a work-at-home program advertised as stuffing circulars into envelopes and mailing them. The Postal Service charged that Ip was conducting a scheme by falsely advertising that persons who bought and then followed his program would earn large sums of money for just stuffing and mailing envelopes. The Postal Service also alleged that Ip's current advertising was nearly identical to his advertising for a prior work-at-home program which the Postal Service at the November 29, 1985 hearing found to be in violation of its false representation law. In a related action brough under 39 USC, 3007, the Postal Service sought and received a temporary restraining order from U.S. District Court instructing it to withhold from delivery to Ip all mail connected with his alleged unlawful activities. The Postal Service also sought an order from its judicial officer permitting the return to sender of mail it is currently holding and all future mail connected with Ip's alleged scheme. The series of legal actions the Postal Service initiated were intended to protect postal customers from losing money through false and misleading mail order schemes. At the time of the civil actions Ip was receiving over 100 pieces of mail per day.

SAN DIEGO—Real Estate Swindler Sentenced: Austin J. Leahy was sentenced on August 25, 1986, to five years in prison and ordered to make $210,250 in restitution to his victims. Leahy operated a sham real estate company from 1981 through 1985 which he used to obtain title to houses from sellers when actual buyers did not exist. Using false names, he was able to obtain first and second trust deed loans which were never repaid. Leahy released cash profits on each purchase through his manipulation of escrows, sellers, and leading institutions. He was able to obtain approximately 60 first and second trust deeds totaling about $4 million. Leahy has been incarcerated since his arrest by Postal Inspectors at Palm Springs, CA, on November 27, 1985, while checking into a posh resort under an assumed name. He had been held without bail while the government pursued his prosecution and will immediately begin serving the time sentenced.

SAN FRANCISCO—Businessman Charged With Newsletter Fraud: Gus R. Wheeler, owner and president of The Mailing Mart, a San Francisco mail preparation business, was arrested on September 10, 1986, by Postal Inspectors for violating the federal mail fraud statutes. Wheeler had been indicted recently by a federal grand jury in San Francisco on 14 counts of mail fraud. The indictments alleged that between 1984 and 1986 Wheeler defrauded one of his clients, Sebastiani Vineyards of Santa Rosa, CA of at least $70,000. The Mailing Mart's agreement with Sebastiani was to bring to the local post office for mailing, approximately 100,000 copies of winery newsletters for each issue date. Over the past two years, Wheeler accepted for mail preparation and transportation to the post office, twelve newsletter issues. With each issue he also accepted the winery's check made payable to the U.S. Postmaster in the amount needed to pay for the mailing of newsletters at the bulk postage rate. The indictment alleged Wheeler deposited the winery's checks to his company bank account—often by changing the name of the payee on the checks—and then prepared and mailed only about half of the newsletters placed in his care; thus, he was able to retain for his own use about half of the postage funds given to him by Sebastiani. In addition, the indictment charged that Wheeler over billed the winery for work done by The Mailing Mart in the preparation and transportation of the newsletter. While Sebastiani did owe The Mailing Mart for such job services, Wheeler falsely certified on each billing that he had prepared and mailed all of the newsletter copies, and he billed the winery for that work. These falsified billings were mailed to Sebastiani, who paid them in full. A second indictment is pending against Wheeler for his scheme to defraud the U.S. Postal Service of approximately $75,000 in postage from mid-1981 through early 1984. The Mailing Mart allegedly tampered with a postal meter and used it to process mail for some of their clients, thereby avoiding the cost of paying postage.

SAN FRANCISCO—Two Charged With Home Investment Scam: A federal grand jury returned a 28 count indictment on September 24, 1986, charging Alan Walter Babcock and Brian Douglas Hammer with mail fraud, in violation of Title 18, U.S.C., Section 1341. The charges relate to the operation of an investment business named Western Capital Management Company that was operated by Babcock and Hammer between 1979 and 1982. The indictment alleged that Babcock and Hammer, through Western Capital Management company, sought investors for limited/partnerships and joint ventures to purchase single family homes in Texas. Babcock and Hammer also allegedly solicited individuals to invest in these homes as second mortgage investors, i.e., investors who would receive a second mortgage deed of trust on a home to secure their investment. The indictment charged that between 1979 and November of 1982 over 200 individuals invested more than $4.2 million in Western Capital Management Company as limited partners, joint venturers or second mortgage investors. The indictment charged that Babcock defrauded the investors by (1) misrepresenting to them that their money would be used to purchase homes, when, in fact, some of their money was used for other purposes, including operating expenses for Western Capital Management Company and interest payments to other investors; and (2) misrepresenting to investors that the mortgage payments on the homes were current, when, in fact, the payments had not been made and the mortgages were in default. Hammer is alleged to have defrauded the investors by (1) misrepresenting to them that their investments were secured by a deed of trust, when no deed of trust had been made or recorded on the investor's behalf; and (2) misrepresenting that nearly all of their investments would be used for the purchase of homes when, in reality, the investors' money was used for other purposes, including operating expenses for Western Capital, interest payments to other investors, and his personal expenses.

DISTRICT OF COLUMBIA

WASHINGTON—Unemployment Benefits Fraud Ends: The last of 31 postal employees prosecuted for their involvement in a scheme to defraud the U.S. Postal Service and the District of Columbia Department of Employment Services was recently sentenced. The investigation, which began in late 1983, was concluded in August 1986. During the investigation, 53 postal employees were identified as being involved in the scheme to defraud the Postal Service of unemployment payments. All 53 employees were removed from the Postal Service and 31 were prosecuted by the U.S. Attorney's Office of the District of Columbia for violations of the Mail Fraud Statute and for false claims against the government. The loss to the Postal Service exceeded $112,000. The scheme began during July 1982 when work hours at the DC Post Office were decreased. Many part-time employees were legitimately entitled to unemployment benefits. After six to eight weeks, however, the employees were again working a full work week. Most employees whose hours had been reduced continued to receive benefits by claiming earnings of $0, $50, $100 per week even though they were earning several hundred dollars per week and were not eligible for benefits. Word of the scheme spread to other employees who had no reduction in work hours whatsoever and soon they too were receiving a weekly unemployment check. The scheme was allowed to continue due to a lack of adequate internal controls at the District of Columbia Department of Employment Services. Based on court ordered restitutions, the Postal Service will recover $112,823. In addition to the court ordered restitution, voluntary restitutions were made by involved employees in the amount of $13,358. As of July 31, 1986, $82,499 in restitution had been received by the Postal Service. This investigation was initiated based on information received from a postal employee in the Washington, DC Post Office. The Inspection Service received excellent cooperation from the District of Columbia Department of Employment Services and the U.S. Attorney's Office in the District in conducting the investigation.

FLORIDA

MIAMI—Two Sentenced for Armed Robberies: Gurley Kimble and Samuel Cooper were sentenced August 7, 1986 following their June 25, 1986 conviction for two armed robberies of the same post office in Miami. Each defendant was sentenced to five years for conspiracy and 20 years each for two counts of armed robbery for a total 45 years, to run consecutively. The judge also ordered a $7,413.94 restitution for both defendants.

MIAMI—Disbarred Lawyer Now a Convicted Swindler: Gerald Kaiser, a disbarred New York attorney and Miami entrepreneur, who promoted the national law firm of Kaiser, Heller and Rogers (KHR), was sentenced on July 29, 1986 in U.S. District Court to six years in prison, a fine of $26,000, an five years probation upon completion of the sentence. Kaiser entered a plea of guilty to one count of a twelve-count mail and wire fraud indictment and to all four counts of an income tax indictment. Both indictments were based on his fraudulent activities in the operation and promotion of KHR during 1979 and 1980. Kaiser's operation involved the opening of offices in his name throughout the United States for the purpose of practicing immigration law. He intended to briefly teach the resident attorney in selected cities the basics of immigration law, staff the office, and complete the cases and paperwork through a common office. He hired Gene Esser, alias Dean James Brent, to sell the concept to attorneys answering the KHR ads. The investment required was from $30,000 to $65,000, depending on the city. (Esser had been disbarred in New York in 1967, but it was not proven that Kaiser knew this.) Over $550,000 was invested in KHR. Kaiser then kept approximately $170,000 for himself, and partially renovated his Miami home. At the same time, services were not provided to the resident partners and they were not advised of problems being experienced by KHR. Kaiser eventually filed for bankruptcy in February 1981, but the court refused to release him from his debts because of his fraudulent efforts to hide assets from the creditors. His New York disbarment resulted from conversion of client funds to his own use. Esser pled guilty in 1985 to conspiracy on this count and received a sentence of four years and four months. He subsequently was convicted by the New York state courts of practicing law without a license, and was sentenced to twelve to eighteen months consecutive to the federal term. (Inspector A, Gray)

GEORGIA

MACON—Trio Charged With Contract Swindle: In February 1986, a federal grand jury in the Middle District of Georgia had indicted William Earl (Bill) Lentz, Rosemary King, and Homer Redding for violations of federal laws involving conspiracy, mail fraud, embezzlement, and involuntary servitude. Lentz, King, and Redding formed a fraudulent company known as American Resources, through which legitimate pallet repair contracts were diverted from the Twiggs County Metal Retardation Center at Jeffersonville, GA. In addition to the mail fraud, conspiracy and embezzlement violations, the federal indictment alleged that five individual clients of the Twiggs County Mental Retardation Center were held in involuntary servitude by Lentz, King, and Redding while they worked American Resources, located in Warner Robins, GA. On September 8, 1986, the trial of the three defendants began; however, midway through the second day of trial, the trio decided to enter into a plea agreement in which Lentz and Redding pleaded guilty to two counts, one of conspiracy to commit mail fraud, and one count involving a mail fraud violation. King pleaded guilty to one count of conspiracy to commit mail fraud.

IDAHO

BOISE—Fifty-Five Indicted on Federal Conspiracy Charges: On October 17, 1986, a federal grand jury returned indictments against 55 persons residing in 27 states, charging each with felony violations of conspiracy to use the United States mail to transport obscene matter. The indictments charged that between July 1, 1985, and March 19, 1986, the defendants responded to advertisements appearing in *Odyssey, Odyssey Express* and other unknown magazines placed by William and Kim Hancock, dba Kelly, P.O. Box 974, Sandpoint, ID, which offered "your wildest fantasy on color photos" for sale. Those charged responded to the ads and subsequent correspondence requesting photos of Kelly engaged in acts of beastiality. William and Kim Hancock were the subjects of previously returned indictments and charges are still pending against them. (Inspector R. J. Irvine and S. J. Pileky)

ILLINOIS

CHICAGO—Five Connected in Phony Invoice Scam: From October 1983 through March 1985, a series of fraudulent invoices were submitted to G. D. Searle & Company for bogus companies created by four Searle employees and one non-employee. Payment of these invoices was made by Searle to Dependable Daily Service, Inc., Greyhound Temporary Service, Sprint Industrial Supply Company, and Midwest Packaging Supply Company for services which were never rendered and for merchandise never supplied. Remittance checks from Searle were sent through the U.S. Mail to post office boxes rented in the names of these bogus companies by the defendants. The checks were cashed by the defendants Sylvanus A. Tyler, James M. Gray, William D. Blake, Jerry Stanowski and Joseph E. Rodriguez, who divided the money between them, and then deposited the funds into their respective bank accounts and the 4-Star Investment Account created by four of the defendants. In total, G. D. Searle & Company sustained a known loss of $505,221. On March 17, 1986, two Informations were filed by the U.S. Attorney charging Tyler, Gray, Blake, Stanowski and Rodriguez with two counts of mail fraud. On March 26, 1986, the defendants entered pleas of guilty and on May 7 and 16, 1986, they were sentenced to five years probation and restitution. (Inspector C. L. Wetterhahn)

CHICAGO—Attorney Sentenced for Claims Scam: On May 12, 1986 the U.S. Attorney filed an indictment charging Wilmette attorney James J. Hardy with defrauding 17 clients of more than $570,000. The indictment charged two separate schemes to defraud, the second of which began after Hardy was confronted by federal law enforcement officers on December 13, 1985. This indictment followed an earlier indictment filed on March 10, 1986, which charged Hardy with having defrauded a couple whose son had been electrocuted. The indictment charged Hardy with fraudulently settling four additional death claim cases; with settling eight automobile accidents claims and converting the funds to his own use; with wrongfully converting proceeds from the sale of a client's home; and with converting the proceeds obtained for an eight year old who was bitten in the face by a dog. Hardy entered a plea of guilty on May 15, 1986. As a part of his plea agreement, he surrendered his license to practice law, and turned over equity from the sale of his home, which was to be provided on a prorated basis to the client/victims. On July 8, 1986, Hardy was sentenced to six months work release to be followed by three years probation. He was further ordered to make restitution of $572,000, undergo alcohol abuse counseling, and perform 1,000 hours of community service. (Inspector M. G. Rogers)

SPRINGFIELD—Twenty-Five Years for Mail Fraud: On September 12, 1986, Mark A. McFarland, aka William Jackson was sentenced to serve 25 years in prison for mail fraud (18 USC 1341). McFarland had pled guilty to five counts of mail fraud on July 3, 1986, and since his arrest on February 5, 1986, has been in federal custody. The indictment charged that beginning in December 1984, while McFarland was in federal custody at a halfway house for previous mail fraud and bank fraud convictions, he represented himself to over 50 businesses nationwide as an officer of a phony and counterfeit youth/charitable-type organization known as the Morgan County Youth Association in Jacksonville, IL. McFarland placed orders and then sent, through the U.S. Mail, false purchase orders requesting goods and services purported to be used for the underprivledged and disadvantaged youths in Jacksonville area. The victimized businesses delivered over $150,000 worth of requested goods and services. Approximately $50,000 worth of the fraudulently obtained merchandise, recovered after three federal search warrants were served by Postal Inspectors during the course of the investigation, were ordered returned to the victim businesses. The items included a garden tractor, a piano, office and home furniture and appliances, motorcycles, bicycles, television sets, police riot gear, tear gas guns, candy and various sporting good items. This conviction was McFarland's second in federal court. He also had 10 felony convictions for fraud and larceny type violations in state court. He was also ordered to make restitution of $120,000 to the victims and pay fines totalling $250.

INDIANA

INDIANAPOLIS—Child Pornography Charges: On August 6, 1986, Daniel J. Federle, dba D. J. Productions in Batesville, IN, was charged by a federal grand jury with one count each of violating 18 USC 2251 and 18 USC 2252, Exploitation of Children and Distributing Child Pornography Through the Mail. A search conducted on September 6, 1984, resulted in the seizure of a number of sexually explicit photographs and negatives allegedly taken by Federle, including visual depictions of four minor females engaging various sex acts. Federle was charged with producing and mailing a number of these photographs. The investigation was conducted jointly by the Postal Inspection Service and the Indiana State Police.

KANSAS

KANSAS CITY—Two Prison Inmates Guilty of Bomb Threat: After a three-day jury trial in U.S. District Court, the jury returned a guilty verdict on a two-count indictment which charged two inmates of the Kansas State Penitentiary in Lansing, KS, with making a threat to kill, injure or intimidate U.S. Senator Robert Dole, by mailing an explosive device on or about March 15, 1986. On April 29, 1986, a federal grand jury returned a two-count indictment of making a threat to kill, injure or intimidate any individual by means of an explosive (18 USC 844(e)); mailing of an inflammable material which may kill or injure another (18 USC 1716(a)); and aiding and abetting (18 USC 2), against David J. Leaverton and David E. Nicholson, inmates at the Kansas State Penitentiary. The pair were charged with sending by mail an improvised letter bomb to U.S. Senator Robert Dole in Washington, DC. Acting on information from Kansas City, this letter was intercepted before delivery by Postal Inspectors at Washington, DC, and taken to the Postal Inspection Service Crime Laboratory there. Laboratory analysis concluded that the device was incapable of detonation. Nicholson is currently serving 5 to 20 years for attempted aggravated robbery. Leaverton is currently serving a sentence of 30 years to life for aggravated escape, kidnapping, murder, and aggravated assault on a law enforcement officer.

LOUISIANA

NEW ORLEANS—Pool Offshore Case Continues: Stephen M. Caldwell was indicted by a federal grand jury on August 8, 1986. The one-count indictment charged Caldwell with making false statements on his personal 1982 federal income tax return. Caldwell failed to report as income, the $7,680 he received, while operating as Caldwell Electric Service and Supply, Inc., from Pool Offshore Company, an oil well drilling company. Caldwell conspired with Henry L. Billiot, Jr. to defraud Pool Offshore of money by mailing false Caldwell Electric invoices to Pool Offshore. The false invoices were approved for payment at Pool Offshore by its former Electrical Superintendent, Henry L. Billiot, Sr. Caldwell received $7,680 in checks from Pool Offshore in payment for the false invoices. Donald M. Winters was indicted by a federal grand jury in New Orleans, July 25, 1986. The two-count indictment charged him with conspiracy to violate the Mail Fraud Statute and for making false statements on his 1982 corporate federal income tax return. Winters willfully and wrongly claimed, as legitimate deductions, approximately $30,000 in bribes and kickbacks which he paid to Pool Offshore employees. Winters, dba enterprise Service and Supply, Inc., was a vendor to Pool Offshore. Winters paid the bribes and kickbacks to Henry L. Billiot, Sr. and other Pool Offshore employees as part of a conspiracy to defraud Pool Offshore of money and of the honest and faithful services of its employees. Those Pool Offshore employees, in turn, directed Pool Offshore's purchases of goods and services to Winters' Enterprise Service and Supply. The indictments of Winters and Caldwell were the 14th and 15th respectively in the Pool Offshore case. The investigation of the case is being conducted jointly by the Postal Inspection Service and the Internal Revenue Service.

NEW ORLEANS—Five Charged With Mail Fraud Swindle: On August 22, 1986, a federal grand jury indicted Frank L. Steele, Robert J. Lovergne, Walton P. Boudreaux, Sr., Ronnie C. Trosclair, and Leslie T. Boudreaux, all of Houma, LA. The five were charged with participating in mail fraud schemes devised to obtain money and property by defrauding Petrol Marine Co. and/or Public Rental Tools, Inc., both subsidiaries of the Hunt Energy Corporation in Houma, LA. Steele, Lovergne, Boudreaux, Sr., and Trosclair were each indicted on one count of 18 USC 371, Conspiracy to Defraud the United States and to Violate the Mail Fraud Statute. Steele and Lovergne were each indicted on one count of 18 USC 1341, Mail Fraud. Boudreaux was indicted on one count of 18 USC 371, Conspiracy to Violate the Mail Fraud Statute and one count of 26 USC 7206(1), False Statements on Income Tax Return. Steele and Lovergne, respectively, were the port captain and purchasing agent for Petrol Marine Co. Steele, Lovergne, and other employees of the Hunt Energy Corporation solicited and received goods and services from vendors to Petrol Marine Co. Boudreaux Sr., owner of Boudreaux Welders, Inc., and Trosclair, President of Universal Iron Works, Inc.; Progressive Refrigeration and Air Conditioning, Inc.; and Houma Distributors, Inc. were some of the vendors who allegedly provided the goods and services as bribes and kickbacks. These consisted of, among other things, home repairs, washing machines, dryers, televisions, video cassette recorders, boats, fishing equipment, guns, tractors, lawn mowers, and automobiles. Steele received approximately $89,000 and Lovergne some $25,000 worth of goods and services from these and other vendors. According to the indictment, in return for the bribes and kickbacks, Steele, Lovergne, and other employees of Hunt Energy Corporation ordered, and directed others to order, supplies needed by Petrol Marine Co. from only those vendors who provided bribes and kickbacks. Steele and Lovergne also allowed, and worked with Boudreaux, Sr., Trosclair, and other vendors, to create falsified and/or inflated invoices, sales orders, and delivery tickets which were submitted to the Hunt Energy Corporation causing it to pay the actual cost of the bribes and kickbacks. Boudreaux, Sr. charged Petrol Marine Co. for more labor hours than he actually used in performing work. Trosclair invoiced Petrol Marine for supplies which were never furnished. Progressive Refrigeration and Air Conditioning, Inc., charged Petrol Marine for parts and labor on service calls which were never made. Houma Distributors, Inc., charged Petrol Marine for supplies which were never provided. The indictment further charged that the falsified invoices, sales orders, and delivery tickets for thee vendors were mailed to the Hunt Energy Corporation in Dallas, TX, for processing and payment. Hunt Energy in turn, mailed payment checks back to Boudreaux Welders, Inc., Universal Iron Works, Inc. Progressive Refrigeration and Air Conditioning, Inc., and Houma Distributors, Inc., all in Houma, LA. The business records and corporate income tax returns of Boudreaux Welders, Inc., and Universal Iron Works, Inc., were similarly falsified. The falsified invoices, sales orders, and delivery tickets of these vendors were used to cover up the bribes, and kickbacks and were claimed as business expenses deductions on the vendors' corporation income tax returns. The IRS was thus impeded and impaired in carrying out its lawful function of ascertaining the correct corporate income taxes owed by these vendors. Leslie T. Boudreaux was allegedly involved in a separate scheme to defraud Hunt Energy corporation. He was the Assistant Manager of Public Rental Tools, Inc., which rents oilfield tools and equipment. From approximately August of 1982 and continuing through approximately June of 1985, Boudreaux conspired with employees of Rock's Specialty Tools, Inc. in Morgan City, LA, to steal Public Rental Tools equipment and sell that equipment to Rock's through personal and/or telephone contacts with persons at Rock's Specialty Tools. Boudreaux identified what was needed by them and arranged for it to be removed from Public Rental Tools yard and transferred to Rock's. Boudreaux covered up the theft by willfully failing to maintain proper controls and records of the equipment in Public Rental Tools' inventory. Boudreaux was paid approximately $76,000 for the stolen equipment via cash and checks issued by Rock's Specialty Tools. Some of these checks were mailed to Boudreaux at his residence. In 1983, Boudreaux received approximately $35,000 from the scheme and failed to report it as income on his 1983 tax return. The Hunt Energy Corporation may have been defrauded of up to $1,000,000 in money and property as a result of these and related commercial bribery and kickback schemes. The indictments were the result of a year-long investigation conducted jointly by the Postal Inspection Service and the Internal Revenue Service.

SHREVEPORT—Mail Theft Gang Broken: An extensive mail theft gang operation involving numerous vehicle breakins and theft and negotiation of at least 150 state and federal checks between 1984 and 1986 has been broken at Shreveport, LA. A total of 18 individuals led by recidivist Carnie B. Wynder have been identified to date. Ten of them have pled guilty to charges involving conspiracy and possession of stolen mail. Sentences have ranged from six years custody to being placed in the pretrial diversion program. Most of the checks were negotiated using photo ID cards purchased by the gang members from a cooperating ID shop in Shreveport. As a result, photos and limited handwriting of the members were obtained from the ID shop and proved invaluable in identifying the gang members, breaking the operation and prosecuting the violators.

MARYLAND

SILVER SPRING—Con Man Guilty of Defrauding Elderly (Reference Spring 1986 Report): On June 17, 1986, David Harry Ferber pled guilty to one count of mail fraud for operating a phony business known as Helpcall, Inc. Ferber sold subscriptions for an emergency monitoring service to senior citizens, shut-ins, handicapped, and heart patients. Many of the victims sent their payments to Ferber via the U.S. Mails; however, Ferber installed no transmitting systems, provided no monitoring service, and failed to refund any of the money received. On September 4, 1986, Ferber was sentenced to 179 days in prison in the Montgomery County Detention Center, five years probation and court ordered restitution of $40,546.

MASSACHUSETTS

BOSTON—Ten Guilty in Phony Employment Fraud: Ten individuals were sentenced in federal district court October 7, 1986 after pleading guilty on the first day of the trial to mail fraud and falsely representing their Social Security numbers. The defendants claimed to be employed by at least seven fictitious companies and then had fraudulent Division of Employment security forms mailed to various post office boxes and addresses in the Boston area. The dollar loss exceeded $700,000. This case was a joint investigation involving the Postal Inspection Service, Department of Labor, and Health and Human Services. The ten co-defendants were sentenced as follows: Paul P. Clancy, Sr., three years in prison, three years probation and court-ordered restitution of $57,418; William T. McDonald, three years in prison, three years probation and court-ordered restitution of $106,074; Joseph M. Brennick, two years in prison, three years probation, and court-ordered restitution of $40,757; John M. Flaherty, two years in prison, three years probation, and court-ordered restitution of $58,084; Paul P. Clancy, Jr., one and one-half years in prison, three years probation, and court-ordered restitution of $32,122; Paul D. Smith, one and one-half years in prison, three years probation, and court-ordered restitution of $73,339; Michael E. Mahoney, 60 days in prison, two years probation, and court-ordered restitution of $2,200; Kathleen C. Brown, 30 days in prison, five years probation, five years probation, and court-ordered restitution of $11,650; and John F. Brennan, 30 days in prison, three years probation, and court-ordered restitution of $5,000.

BOSTON—Company Executive Guilty of Fraud and Tax Evasion: John A. Deery pled guilty on July 30, 1986 in U.S. District Court to one count of mail fraud and one count of income tax evasion. Deery, the former F.W. Woolworth Company Superintendent of New England Real Estate, was charged with 10 counts of mail fraud for swindling the Woolworth company and landlords of over $2,000,000 in connection with store leases, and with five counts of income tax evasion for underpaying $416,164 in taxes. Deery is a graduate of Phillips Exeter Academy, Princeton, Harvard Business and Law School.

BOSTON—Detective charged with Fraudulent Pension: A federal grand jury returned a forty-one count indictment on September 18, 1986 charging a Boston Police Detective with mail fraud, false statements, and income tax violations. James E. Lewis, a 12 year veteran with the Boston Police Department, was charged with 34 counts of mail fraud, one count of false statement and six income tax violation counts. The indictment alleged that Lewis engaged in a scheme to defraud the U.S. Civil Service Retirement System during the period 1974 to 1984 when he claimed to be totally disabled from his position as a management trainee with the U.S. Postal Service, while at the same time he was employed full time as a Boston Police patrolman. The indictment also alleged that Lewis filed false federal income tax returns for the years 1980, 81 and 82 in which he did not report all of his income, and that he aided in the filing of false federal income tax returns for the same years relating to his daughter. This case was investigated by the Postal Inspection Service and agents of the Office of Criminal Investigation of the Internal Revenue Service in Boston.

DORCHESTER—Length Sentence for Phony Employment Swindle: On October 20, 1986, Thomas P. Littlefield was sentenced to nine years in prison, five years probation and ordered to pay restitution of $799,997. After a seven-day jury trial, Littlefield was found guilty of 25 counts of mail fraud. He created fictitious companies and caused fraudulent Division of Employment security forms to be mailed to him to various post office boxes and addresses in the Boston area that he controlled.

MICHIGAN

FLINT—Assailant of Letter Carrier Sentenced: On August 8, 1986, Curtis Lee Ferguson was sentenced to two concurrent terms of not less than 60 years nor more than 90 years in prison for (1) first degree criminal sexual conduct and (2) armed robbery. Ferguson was convicted on July 9, 1986 for the rape and robbery of a Postal Service Letter Carrier in December 1985 while the carrier was on duty. The arrest was made by Postal Inspectors, but prosecution was conducted through state courts due to more severe penalties applicable.

MINNESOTA

ST. PAUL—Three Indicted for False Invoice Scheme: On June 17, 1986, a federal grand jury returned a 21 count mail fraud indictment charging Jesus A. Ortiz, Lanoka Harbor, New Jersey, and Michael D. Patten of Neptune City, New Jersey, of defrauding the 3M company in St. Paul of $520,000 in a fraudulent billing scheme. The indictment charged that between January 1, 1985 and May 31, 1986, Ortiz, a 3M employee for ten years, and employed as a resident engineer at the 3M plant in Freehold, New Jersey; and Patten, a non-3M employee, devised a scheme whereby they created and used nine different fictitious business names and post office box addresses for the purpose of submitting false and fraudulent billing invoices to the 3M Company, and received payments from the 3M Company at the post office boxes they controlled. The indictment also charged that Ortiz and Patten opened nine different bank accounts at various financial institutions to deposit the 3M checks and convert the proceeds to their own personal use.

MISSOURI

KANSAS CITY—More Activators Deactivated (Reference Summer 1986 Report): On September 25, 1986, Larry Stephen Huff of Bell Canyon, CA pleaded guilty to one count of conspiracy to violate the Mail Fraud Statute for his involvement in a pyramid scheme through which thousands of investors were sold more than $80 million worth of activator kits. Huff is the sixth of twelve individuals indicted in this case to plead guilty. The indictment alleged that the defendants created Culture Farms, Inc., of Kansas; Activator Supply Company, Inc., of Nevada; and other corporations, then claimed that investors could make large profits by purchasing a small quantity of white powder called "activators." The cultures grown from these "activators" theoretically could be sold back to Culture Farms, Inc., at a great profit to the investors. For example, the defendants claimed that for an initial purchase of ten activators at a cost of $350, an investor could expect a potential income of $900 after a 15-week growing period because demand for cultures was extremely high. In fact, the only demand for cultures was that created by the defendants through a series of companies variously called Cleopatra's Secret, Inc., and The House of Cleopatra's Secret, Inc., which were promoted by the defendants to make it appear there was a viable market for the cultures being grown.

KANSAS CITY—"Fraud Queen" goes to Jail: Mary Kelly, who has been dubbed "The Insurance Fraud Queen of Kansas City," was sentenced September 24, 1986 to a term of three years in prison, to be followed by five years probation, fined $2,000 and ordered to pay restitution of over $12,000. Kelly had been indicted on fifteen counts of mail fraud, December 16, 1985. She pled guilty to two counts of that indictment and at her original sentencing, asserted that she was mentally incompetent and currently receiving disability compensation from the Veteran's Administration. A complete physical and mental examination was ordered, and the evaluation found Kelly to be mentally competent. The common denominator in the scheme was false documentation. Medical bills were supplied by fictitious doctors and wage loss documents were provided by fictitious employers. In one of the counts to which Kelly pled guilty, she made false claims to the U.S. Fidelity and Guaranty Company for one of her children and two other persons for injuries supposedly suffered in a car accident, December 2, 1980 in Kansas City. To back up the claims she filed phony medical bills, wage loss statements, and other false documents. The other count to which she pled guilty involved a claim against Great American Insurance Compnay which insured Fairmont Foods Company. Kelly claimed her seven month old son became ill after drinking Fairmont milk; however, the investigation revealed she had no seven-month old son. (Inspector L. J. Stewart)

KANSAS CITY—Guilty Plea in Insurance Fraud: Brian MacLamroc of Columbia, SC, entered a guilty plea October 6, 1986, to one count of mail fraud for his scheme to defraud insurance issuing companies through multiple coverage claims. MacLamroc obtained two homeowners insurance policies from different insurance companies in June and July of 1983 and subsequently obtained policy amendments to include $4,000 all-risk coverage on jewelry items on the first policy and $9,000 in scheduled jewelry items on the second policy. On October 28, 1983, Delta Airlines allegedly lost two pieces of luggage belonging to MacLamroc. He itemized the objects allegedly lost and calculated a total value of $5,775. These items included books, clothing, a 35mm camera and camera gear, and one 14-karat yellow gold and diamond Longines wrist watch with a broken crystal. Delta Airlines reimbursed MacLamroc the maximum allowable amount of $750 for this loss. In January and February of 1984, MacLamroc submitted fraudulent claims and documentation in an effort to receive multiple coverage insurance reimbursement for his alleged loss of personal property by Delta. As a result of his withholding of material facts, MacLamroc received a total of $8,188 from both insurance claims. Use of the U.S. Mail was an integral part of the scheme to defraud. (Inspector A.M. Hoys)

NEVADA

LAS VEGAS—Boiler Room Boss Guilty: A federal trial jury on July 24, 1986, returned a guilty verdict for Marlene Sue Tonkin for the ten count federal indictment against her. Tonkin was charged with conspiracy, seven counts of mail fraud and two counts of wire fraud for her participation in three ad specialty businesses: Century Promotions; Regency Investments and Atlantis Promotions all in Las Vegas from February 1983 through April 1984. The companies grossed approximately $600,000 in that fourteen months period. Tonkin was one of four individuals charged by the indictment and is the third defendant who had been prosecuted. The fourth individual, Robert Chickene, is still a fugitive.

NEW JERSEY

CAMDEN—Principals in Planned Bankruptcy Ring Sentenced: Four of the principals in the operation of RDF Distribution, Inc. of Fairfield, New Jersey, a planned bankruptcy, which operated from June 1980 through June 1981 were sentenced May 9, 1986. RDF defrauded creditors of approximately $2,200,000. This case is one of several planned bankruptcies being investigated around the country by an interagency task force consisted of Postal Inspectors, FBI Agents, and Detectives of the Broward County, Florida Sheriff's Office. Alfred Forman, the mastermind of a string of alleged planned bankruptcies operating in several states during the past 10 years, was sentenced to 10 years imprisonment, five years probation and a $10,000 fine. Forman had previously pleaded guilty to 20 counts of conspiracy and mail fraud in the RDF case. He has thus far refused to cooperate with the government, unlike four of his co-conspirators who have been allowed to plead to a reduced number of counts in return for their cooperation. In addition, Forman was sentenced on April 10, 1986, to 10 years is prison and a $155,000 fine in Federal District Court in Boston, Massachusetts, for his role in operating Micro Distributors, Inc., another planned bankruptcy from Spring 1982 to February 1983, which defrauded creditors of approximately $1,700,000. Forman also was indicted on March 25, 1986, in Pittsburgh, Pennsylvania, on 29 counts of mail fraud and interstate transportation of stolen property for his involvement with another alleged planned bankruptcy, Nationwide Wholesale, Inc., which operated in Pittsburgh during 1985. Also sentenced in the RDF case was Howard Palmer, the warehouse manager, who received two years in prison, five years probation and a $1,000 fine. Another defendant, Reynold J. DiFazio, the frontman at RDF who stalled creditors, was sentenced to one year imprisonment, five years probation and a $1,000 fine. In addition, Benjamin Seewald, the bookkeeper, who was another of the co-conspirators at RDF, was sentenced to two years in prison, five years probation and a $1,000 fine. On April 17, 1986, DiFazio was sentenced to one year in prison and a $1,000 fine for his role at Micro. Howard Palmer is currently awaiting sentencing for his part in operating Micro Distributors, Inc., Benjamin Seewald is also awaiting sentencing in another planned bankruptcy which operated as Bocar Labs in Huntingdon

Valley, Pennsylvania from Fall 1983 to May 1984. Bocar Labs defrauded creditors of approximately $2,000,000. A fifth defendant, Eugene Shaheen, who previously pleaded guilty to an information, is awaiting sentence.

CHERRY HILL—Father and Sons Charged With Franchise Scam: A Cherry Hill, NJ, father and his two sons were charged in an 18 count federal indictment October 15, 1986. The indictment stemmed from an investigation conducted by the Postal Inspection Service into the trio's activities in an investment scheme and a franchise fraud. Named in the indictment were James B. Sanford, and his sons, James L. Sanford and David W. Sanford. All were charged as accessories under one count of the RICO Statute (18 USC 1962), 12 counts of Interstate Transportation of Stolen Property, four counts of mail fraud, and one count of wire fraud. The indictment charged that the Sanfords used a group of businesses (Snacks by the LB., Olde Tyme Treats, Interpak System, Inc., J/S Associates, Juray/Sanford Associates, Inc., Sanford Enterprises International, Target Marketing and Focus Marketing) to operate two different fraud schemes. The indictment charged that in the first scheme the Sanfords defrauded a woman, Antoinette Basile, of approximately $80,000 by having her cash in life insurance policies, annuities and mutual funds and investing the proceeds in Sanford Enterprises International. The indictment charged that in the second scheme the Sanfords sold franchises for snack food stores (Snack by the LB. and Olde Tyme Treats) and snack routes (Interpack Systems) while not providing the promised goods and services.

NEWARK—Brokerage Firm Charged with Complex Swindle: A federal grand jury returned a 26 count indictment on October 14, 1986, stemming from the activities of the failed brokerage firm, Bevill, Bresler & Schulman, Inc. (BBS). The company had been a registered broker-dealer, primarily selling U.S. government agency securities. The indictment charged that five former officials of the firm planned and carried out a complex securities fraud extending over at least a three-year period, from 1982 to April 4, 1985, in which customers of the firm, typicaly banks, lending institutions and municipalities, lost more than $100 million. The indictment named three as defendants: Chairman of the Board, Robert L. Beville, of Summit, New Jersey; President, Gilbert C. Schulamn, of Montague, New Jersey; and Treasurer and Comptroller, John D. Rooney of Verona, New Jersey. Named as co-conspirators, but not indicted, were Executive Vice President, Robert S. Levine, of Jackson, New Jersey; and Senior Vice President and Director of Operations, Stuart A. Gottlieb, of Far Hills, New Jersey. Levine and Gottlieb executed plea agreements and are cooperating. In addition to charging conspiracy, mail and wire fraud and filing false tax returns, the indictment also charged Beville, Shulman and Rooney with deliberately conspiring and then actually entering false statements on periodic filings required by the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD), called focus reports. It is believed that this is the first time that criminal charges have been filed as a result of false focus reports. The defendants made the false statements, the indictment alleged, to conceal from customers, the SEC, NASD and the Federal Reserve Bank, the fact that BBS had sustained large losses and was effectively insolvent. According to the indictment, Beville, Schulman, Rooney and Levine were principals of both BBS and an affiliated, but unregulated firm, Bevill, Bresler and Schulman Asset Management Corporation (AMC), which operated from a BBS office in Livingston, New Jersey. Gottlieb, as Director of Operations, was responsible for supervising the "back-office" operations of BBS and AMC. The business of BBS consisted primarily of trading and selling municipal. U.S. Government and U.S. Government agency securities, while AMC was chiefly engaged in transactions known as repurchase agreements and reverse repurchase agreements, or "repos" and "reverse repos." The indictment further charged that beginning in 1982, Bevill, Shulman and Rooney began to speculate extensively in U.S. Treasury bond futures and other high-risk investments. The extent of their trading violated SEC regulations and, because of losses in the tens of millions of dollars, threatened the soundness of BBS and other affilated companies. Ultimately, in April of 1985, the liabilities of BBS and its companies exceeded their assets by more than $100 million. Notwithstanding the massive insolvency of all of the BBS companies, Beville, Shulman and Rooney, together with Levine, paid themselves over $15 million in salaries, bonuses, fees, loans and disguised corporate payments. To cover their losses while still draining millions from the companies, the defendants systematically defrauded numerous customers who engaged in "repo" transactions with AMC by selling them nonexistent securities or securities which were actually owned by another party. According to the indictment, a substantial proportion of AMC's "repo" transactions were of the type known as "safekeeping repos," in which AMC was not obligated to deliver the securities it sold to the customer, but only hold them in safekeeping for the customer's benefit during the "repo" term. In many instances, the indictment charged, the defendants fraudulently removed securities from safekeeping even though they had been sold to one "repo" customer and were supposedly being held for that customer's benefit, then sold the same securities again to another customer without authorization. In other instances, the defendants sold securities to "repo" customers and assured them they were being held in safekeeping when, in reality, AMC did not possess the securities it had supposedly sold. By these methods, the defendants were able to obtain from "repo" customers millions of dollars more than they could have obtained using the securities they actually owned. As a result, many of the defendants' "repo" customers, while believing themselves to be fully collateralized, were in fact, totally without any collateral for the funds they had advanced to AMC. As of early 1985, the total amount of AMC's allegedly fraudulent uncollateralized "repos" exceeded $100 million. The indictment further charged that Bevill, Schulman, Rooney and Levine siphoned off millions of dollars for their own personal benefit from the "repo" funds fraudulently obtained by AMC. This investigation was conducted by a multi-agency task force comprised of Postal Inspection Service, FBI, IRS and SEC investigators.

NEW YORK

BUFFALO—Businessman Guilty in Bribery Attempt: Dominic Zieno, a Sydney, NY, businessman, pleaded guilty in U.S. District Court to a felony charge of attempting to bribe a postal official. Zieno admitted offering a $10,000 bribe in return for having land he owned selected as the site for a new post office. On April 29, 1986, Zieno made a telephone call to a postal official who was examining potential locations for a new post office. Zieno stated that if his property was selected, he would "make it worth his while." An undercover Postal Inspector was introduced as the new postal official responsible for site selection. During a meeting with the Postal Inspector, Zieno said he "believed it took a little greasing to get things done," and said he wanted to receive $175,000 for his downtown property. In return, Zieno would pay $10,000. While on the way to the bank to obtain the payoff money, Zieno was arrested and admitted his guilt. On October 23, 1986, Zieno was sentenced to two years in prison with 21 months suspended; ordered to pay a $10,000 fine and placed on probation for 21 months.

NEW YORK—Pair Guilty in Oil and Gas Leasing Scam: Stephen Bederson and Steve Rogove pled guilty October 9, 1986 to fraudulently obtaining millions of dollars through mail and wire transfers from postal customers who entered into the U.S. Government lottery for oil and gas lease rights on federal property sponsored by the Bureau of Land Management, Department of the Interior. Bederson and Rogove each admitted to participating in a wide-ranging conspiracy to defraud their customers and pled guilty to specific mail fraud violations detailed in a seven count indictment obtained on October 2, 1986. Peter Labarrie was also charged in this indictment and is currently being sought. Gary Shapoff, charged in a separate 20 count mail and wire fraud indictment, pleaded not guilty to these charges. Bederson, Labarrie and Rogove, who worked at Stewart Filing Service in New York city, admitted to running a "boiler room" operation to induce customers to pay large amounts of money (seven to eight times over the $75.00 federal filing fee for the lottery program) for the chance to win leases which had, as disclosed by the investigation, a geological structure believed to be incapable of producing any significant amount of oil or gas. The defendants admitted that they and other personnel at Stewart used high pressure sales techniques with a steady flow of material misrepresentations. Customers paid Stewart approximately $1.2 million during its one-year operation, most of which was kept by Stewart for its "expert services." One victim of Labarrie alone lost over $200,000 including $100,000 after the lottery was suspended in October 1983. Shapoff, an employee of East-West Oil & Gas Company, was similarly charged with using high pressure sales techniques and gross misrepresentations to induce his victims to send money for investments in this highly speculative and rarely profitable endeavor. He was also charged with filing his victims' names on virtually all land parcels available in the lottery, including those having no possible value—known in the industry as "Goat Pastures." Victims of Shapoff's company lost approximately $4 million during its operation from 1980 to 1984. It should be noted that three other boiler room operators: Paul Goldberg; Richard Rossi of East-West; and Terrence Crown of Satellite Energy Corporation, had pled guilty to similar charges on June 5, 1986. Rossi is currently serving a sentence of one year and one day. In addition to these pleas, two consent injunctions were filed against former salesmen, Andrew Elliot of Stewart and Jay Diamond of East-West, for participating in telephone sales business over the last five years.

NEW YORK—Work-at-Home Swindlers Convicted: Authur and Winona Somer, operators of National List Protection Agency, were each convicted September 25, 1986, on two counts of mail fraud in U.S. federal court after a four-day trial. The pair were convicted of operating two separate schemes between March 1983 and January 1986. The first scheme involved a work-at-home scheme whereby people were told they could make up to $200 per week by becoming mailing list protection agents after paying the defendants a registration fee of $25 or $28. The second scheme involved a large solicitation advising interested individuals that they were selected by a computer as the winner of a free gift worth $1,200 which they could claim by mailing the defendants $3.50. Those responding received a certificate for one year of free advertising (allegedly worth $1,200) in a bogus newsletter published by the defendants which would cost each subscriber an additional $40. The defendants were also charged with fraud against the Social Security Administration as a result of false statements made by Arthur Somer on an application for social security disability benefits and at a subsequent administration hearing on the matter. This charge was severed from the current trial in October 1986.

NEW YORK—Politician Off to Prison For Mail and Election Fraud (Spring 1986 Report): Former Sullivan County Supervisor, Brian Ingber was sentenced September 19, 1986 in federal court to three years in prison and a $1,000 fine following his January 1986 conviction. Fellow convicted conspirator Wayne Prinos was sentenced to 12 months incarceration and a $250 fine. Ingber's family firm, Service Scaffold, Inc., also was convicted of mail fraud and fined $1,000. The restitution of $570,000 paid for rigged bids will be determined in a subsequent civil proceeding. proceeding.

NEW YORK—Another Sentencing in Insider Trading Scandal: Ilan Reich, an attorney and former member of the NYC law firm Wachtell, Rosen, Lipton and Katz, pled guilty on October 10, 1986 to a two-count indictment. Reich was charged in a scheme involving the passing of confidential information about proposed corporate transactions to Dennis Levine, who had previously pled guilty. Levine then used this information to purchase securities through secret foreign bank accounts. Reich was charged with both securities fraud and mail fraud in connection with this scheme, involving the passing of insider information about G. D. Searle & Company to Levine in August 1984. Levine traded on the information for profits of $613,503. Reich was also charged with one count of mail fraud in connection with passing information in July 1984 about the SFN company. Levine profited in the amount of $129,315.

WHITE PLAINS—Brothers Sentenced in Africa Chemical Scam: On July 28, 1986, Jack and Charles Colbert were sentenced to 13 years in prison after being convicted by a federal court jury on 27 counts of conspiracy, wire and mail fraud, false statements and claims; and obstruction of justice. In addition to the prison sentence, Jack Colbert was fined $40,000 and two of the Colberts' corporations, Signo Trading International Ltd and SCI Equipment and Technology, were fined $250,000 each. The four dependents were ordered to pay $66,000 restitution. The prison terms and fines stemmed from Chemplex Marketing Corp. of Harare, Zimbabwe contracting with SCI and Signo to purchase pure perchlorethylene and trichlorethylene, chemicals used in drycleaning and cleaning heavy machinery. The companies shipped "a cheaper, recycled mixture of chemicals" unsuitable for the intended purposes. In fact, the chemicals shipped contained less than one percent of the chemicals ordered and were hazardous, containing highly toxic and inflammable chemicals. (Inspector R. Jones)

OHIO

CINCINNATI—Pair Charged With Home Improvement Fraud: On September 18, 1986, a federal grand jury returned a 28 count indictment against Thomas A. Lauback of Columbus, OH, and Heller C. Boling of Wilmington, DE. The indictment charged the dependents with using the mail and interstate communication facilities in a scheme to defraud over 62 victims of more than $1,500,000. The indictment alleged that, between September 1980 and December 1985, Lauback and Boling devised and participated in a scheme to defraud scores of individuals throughout the United States by investing in DuraSeal, an asphalt sealing business. As part of the scheme, DuraSeal was promoted as a franchise operation that was well established and highly profitable when, in fact, these representations were not true. The indictment further charged that Lauback, Boling and employees of DuraSeal claimed that for their investment, purchasers would receive complete training in asphalt sealing, equipment operation, and marketing skills; a dynamic sales and marketing program; and state of the art equipment of the highest quality when these representations were allegedly false and fraudulent. The indictment further charged that Lauback, in order to maintain an aura of financial success and wealth as Executive Director of DuraSeal, incurred substantial debts with travel agencies, hotels, car rental agencies, newspapers, landlords, and printers in carrying out this scheme. The defendants were charged with one count of conspiracy, sixteen counts of mail fraud, and eleven counts of wire fraud.

CLEVELAND—Fifteen Charged with Child Pornography: On August 13, 1986, a federal grand jury returned indictments against 15 defendants, charging a total of 25 counts of trafficking in child pornographic materials through the United States Mails, in violation of Title 18, U.S. Code Section 2252. The indictments follow a five-month investigation, which culminated in controlled deliveries of child pornographic materials and execution of federal search warrants by Postal Inspectors, assisted by officers from various municipal police departments and county sheriffs' offices within the Northern District of Ohio. Indicted on charges of receiving child pornography were: Alexander P. Baworoski, James W. Beveridge, Guy W. Clark, Robert W. Cubick, Timothy D. Emerick, James A. Frazier, Ronald J. Mainguth, Richard H. Nelson, Thomas W. Parrott, Frank A. Salem, Ronald M. Santmire, David W. Shafter, Ray C. Versteeg, Robert C. Young; and William P. Karabin, who was indicted for mailing child pornography. The indictments are the result of an undercover investigation conducted by the Postal Inspection Service and the U.S. Attorney's Office. Each defendant is charged with engaging in the ordering, receipt or mailing of child pornography through the United States Mails. Searches of the defendants' homes were conducted on different dates during the month of June 1986. Specifically, the indictments charged the defendants with mailing or receiving video tapes which depicted children engaged in sexually explicit conduct, characterized by pictures of children engaged in sexual intercourse and a lascivious exhibition of their genitals and pubic areas. The cases are being prosecuted under the amendments of the Child Protection Act of 1984, signed into law on May 21, 1984. (Inspector M. Sitter)

PENNSYLVANIA

ALLENTOWN—Insurance Agent Heads for Prison: On October 10, sentencing was carried out by a U.S. District Judge following the July 30, 1986 conviction of former Lancaster, PA, insurance agent, Floyd Kelley. Kelley was found guilty on four counts of mail fraud stemming from an insurance fraud investigation conducted by Postal Inspectors. Between 1981 and 1984, Kelley and his agents solicited people in the Lancaster, PA, area to obtain universal life policies. These people were subsequently persuaded to redeem their current insurance policies, and told to send the balance of their redemptions to Kelley for application on their new universal life policies. Kelley and his agents obtained $289,525 in checks from their victims, which was later converted to their personal use. Kelley will serve a three-year prison sentence on the first three counts of the indictment, and five years probation on the remaining count after completing the prison term.

PITTSBURGH—Sentencing in Mail Bomb Case: On June 27, 1986, Randall "Randy" Douglas McFadden was sentenced to a consecutive 30 year prison term in a plea agreement based on his mailing of a bomb parcel that exploded at the Bulk Mail Center (BMC) in Pittsburgh on October 8, 1985. The parcel which was mailed in the College Park, Maryland area was addressed to the intended victim in Olean, New York; however, it exploded during processing at the Pittsburgh BMC. McFadden pled guilty on May 19, 1986 to Mailing the Explosive Device with Intent to Kill or Injure the Intended Victim (Title 18 U.S. Code 1716). He also pled guilty to Damage by Explosives to Postal Property (Title 18, U.S. Code 844(f)) and to four counts that related to possession of explosives. The judge sentenced McFadden to 20 years in jail for the mailing of the explosive device and 10 years in jail for five counts of explosive violations. McFadden's sentence was to run consecutively, and he was fined $50 per count, or a total of $300.

PITTSBURGH—Robber Gets Lengthy Sentence: On September 16, 1986, Lafayette Fontaine Jones entered a plea of guilty to count 2 of an 8 count indictment charging him with the armed robbery of a postal station on May 27, 1986. The judge accepted his plea and sentenced him to the mandatory imprisonment of 25 years. The judge sentenced Jones under Title 18, U.S. Code, Section 4205(a) which requires the defendant to serve eight years before being eligible for consideration of parole.

TENNESSEE

CHATTANOOGA—Money Order Scam Ends with Prison Sentence: On September 10, 1986, in U.S. District Court, Eastern District of Tennessee, Ricky L. Ward was sentenced to six years in prison for altering U.S. Postal Service money orders. He pled guilty to two counts of an indictment issued April 22, 1986 charging him with ten counts of passing the altered money orders at ten different locations. He was responsible for at least 24 raised money orders, altering them from $1.00 to $71.00. Ward's illegal activity occurred during May and June 1985 when he altered and cashed the money orders throughout the middle part of the state of Tennessee. In addition to the above charges, he was also charged with an accomplice, Annie McQuire, in U.S. District Court, Middle District of Tennessee. He pled guilty to the Middle District charges and was given five years consecutive probation on those charges. McQuire was sentenced under the provisions of the Pre-trial Diversion Program.

MEMPHIS—Second Conviction in Bingo Skimming Fraud: On October 10, 1986, Ronald J. Smith was sentenced to three years imprisonment as a result of his conviction by a federal court jury in May 1986, on all 38 counts of two separate indictments, charging mail fraud and income tax violations. Smith and Ira H. Murphy, a Shelby County, TN General Sessions Judge, were indicted in December 1985. The case involved the alleged skimming-off of proceeds of a multi-million dollar bingo operation in Memphis during 1983 and 1984. Smith was a bingo operator from 1971 to 1984. Smith and Murphy were convicted by separate jury trials at Memphis, and the latter was sentenced to five years in prison in September 1986.

MEMPHIS—Charity Fraud Sends Operator to Jail: Gerald Albert Crane was sentenced August 1, 1986 to two years in prison as the result of a bogus Christmas charity mail fraud scam known as the Christmas Fund which he operated in Memphis in late 1981 and also for violation of bail. Crane pled guilty to the mail fraud charge in 1982, but failed to appear for sentencing later in the year. He was then indicted for violation of bail reform. Crane remained a fugitive until he was arrested at Ft. Lauderdale, FL in April 1986 by a Postal Inspector and a U.S. marshal, resulting from a tip received by the Postal Inspector. At the time of his arrest in Memphis in 1981 on the mail fraud charges, Crane was serving probation on Alabama state charges for a similar scam.

NASHVILLE—Check Thieves Sentenced: Christena R. Tolliver was sentenced to five years in prison and an additional five years probation as the result of a guilty plea entered in a agreement involving a 32-count indictment issued June 19, 1986. This plea concluded a 2½ year joint investigation by U.S. Secret Service Agents and Postal Inspectors into a group of check thieves whose three principal female members were Tolliver, Bessie L. Primm and Sandy M. Grissette. On September 25, 1986, Primm received a sentence identical to Tolliver. Grissette had been sentenced on November 25, 1985 to one year in prison and four years probation. The group is known to have been responsible for the negotiation of at least 75 checks from the mail totalling about $25,000.

TEXAS

AMARILLO—Chain Letter Restrained: An application for a temporary restraining order under 39 USC 3007 was filed in U.S. District Court for the Northern District of Texas on August 8, 1986, against Traders Unlimited, Inc., and J.A. Huddleston. A complaint for violation of 39 USC 3005 was filed by the Postal Service on the same day. The Amarillo Post Office began detaining mail on this date, and on August 13, 1986, Huddleston agreed not to contest the preliminary injunction. Beginning in February 1986, Trader's Unlimited, Inc., began a promotion titled "Future Millionaires Society." The 3005 complaint charged that Traders Unlimited a) conducted a classic "chain letter" operation; b) required new participants to pay $15 for their membership, literature, and a chance to receive as much as $98,415 once their name reached the top of the chain; c) divided the $15.00 as follows: $5.00 to who sold the membership; $5.00 to a society director; and, $5.00 to Traders Unlimited; d) in exchange for the $15.00 payment, new members received three registration forms and future millionaires society literature. Once a member becomes a society director and no branches of the chain terminate, the new society director will have to receive $5.00 from each of 19,683 new participants to accumulate the projected $98,415. For each of the 19,683 new members to attain society director status and reach the $98,415 income project, there must be 387,420,489 (19,683 x 19,683) new participants enrolled. This would involve the transfer of over $5.8 billion. Residents of the States of Louisiana, Oklahoma, and Texas are known to have participated in this promotion.

LUBBOCK—Ponzi Scheme Operator Indicted: On June

26, 1986, a federal grand jury returned a 42-count indictment against Harrol Jerry Holley on charges of mail fraud, wire fraud, interstate transportation of funds, and aiding and abetting. Holley operated a business under the name Cash Bail Bond and sold fraudulent investment contracts to over 800 investors in the states of Arizona, California, Florida, Oklahoma, Missouri, New Mexico, and Texas. He accumulated over $11,000,000, with the largest investment being $350,000 and several in the $250,000 range. Holley devised a scheme whereby investors were induced to provide money for the posting of "cash bail bonds" throughout western and eastern New Mexico. Investors received up to 7.5% return per week on their investment until the scheme collapsed on August 22, 1985. Information developed during the mail fraud investigation led to federal firearms charges against Holley. He pled guilty on two counts of the firearms charges and was sentenced on July 21, 1986 to concurrent terms of three years in prison. (Inspector C.O. Havens)

SAN ANTONIO—Child Pornographer Pleads Guilty: On August 25, 1986, Dr. Mark Russell Player appeared in U.S. District Court and entered a guilty plea to one count of a two count indictment charging him with mailing child pornography inviolation of 18 USC 2252. The guilty plea was part of a plea agreement between Player and the government, under which Player will forfeit claims to camera equipment and various pornography-related material seized during the two searches. Other purely personal items will be returned to him, and count two of the indictment will be dismissed at the time of sentencing. Dr. Player, a USAF Captain, is presently in the custody of the Psychiatric Unit of the Wilford Hall USAF Medical Center at Lackland Air Force Base. Following a suicide attempt on July 7, 1986, while in federal custody, he was released on bond on condition that he be comitted to the hospital for psychiatric examination. Doctors have diagnosed that Player is competent and fit to stand trial.

WASHINGTON

SEATTLE—Three Enter Guilty Pleas in Massive Insurance Fraud: At the specific request of the U.S. Attorney in Seattle, Postal Inspectors joined a multi-agency task force during the Spring of 1986 to investigate 64 individuals, calling themselves "The Family," who were involved in insurance fraud, vandalism and arson-related schemes. The task force, comprised of the Postal Inspection Service, ATF, IRS, Insurance Crime Prevention Institute, and Seattle Police detectives, worked in conjunction with two Assistant U.S. Attorneys at Seattle. On October 23, 1986, guilty pleas to an information were entered before a U.S. District Court Judge by three Oakland, CA, men associated with an illegal enterprise engaged in an interstate pattern of racketeering activity of arson, mail fraud, white slavery, and interstate transportation of stolen property. Leroy Knockum pleaded guilty to engaging in a pattern of racketeering activity in violation of Title 18, USC, Section 1962(C). The maximum penalty for violation of the anti-racketeering statute is imprisonment for more than 20 years, fine of $25,000 and forfeiture to the government of all property acquired as a result of the pattern of his racketeering activity or used in the commission of a crime. By his plea agreement, Knockum agreed to forfeit his interest in real estate in Seattle and Oakland, several vehicles and other personally owned property. Lamarr Lloyd Mims and Andre Nibbs each pleased guilty to one count of conspiracy to commit mail fraud. Title 18, USC, Section 371, and two counts of actually committing mail fraud. Title 18, USC, Section 1341. The maximum penalty for each man is imprisonment for a period of 15 years, and fines totalling $12,000. By the terms of their respective plea agreements, each man also agreed to forfeit to the United States all property acquired as a result of their participation in the pattern of criminal activity and all property used in the commission of their crimes. The investigation revealed that the defendants and others were involved in large scale insurance frauds in the western United States, particularly in Washington and California. The insurance frauds were committed through the use of the United States mail and consisted of three basic schemes: arson of insured real estate and motor homes, staged vandalism of insured real estate and staged automobile accidents. The investigation also revealed that Knockum was engaged in prostitution, and transported women across state lines for the purposes of prostitution. The investigation further revealed that Knockum and the other defendants also used the women, whom he had involved in prostitution, in the insurance schemes, as alledged owners of property in order to defraud the companies insuring the property. During the conspiracy from approximately 1981 to the present time, "The Family" was responsible for at least five arsons at Oakland and Seattle; three staged automobile accidents in Seattle and Oakland; and a number of phony vandalsim incidents in both cities in which an individual falsely claimed that a home had been vandalized and then collected insurance on the alleged damages. For purposes of inflating the loss, "The Family" moved the same damaged furniture up and down the West Coast, using it over and over again to justify false insurance claims. While a final accounting of the total amount of loss to the insurance companies is unknown, current estimates are that "The Family" was responsible for insurance frauds totalling more than one million dollars. (Inspector J. F. Collins)

WISCONSIN

MILWAUKEE—Two Charged With Coupon Scam: Thamin M. Shawar and Jamal M. Shawar wre indicted and arrested October 4, 1986, on charges of mail fraud. The indictments returned against Thamin Shawar charged him with 22 separate counts of using the mail to defraud various manufacturers of consumer goods and coupon clearinghouses. The indictment alleged that over 200,000 coupons were submitted for redemption by three fictitious grocery stores which were allegedly operating in the Milwaukee area and that more than $37,000 in redemption checks were mailed to these alleged stores. The indictment returned against Jamal Shawar charged him with four separate counts of using the mails to defraud various manufacturers of consumer goods and coupon clearinghouses. Over 47,000 coupons were allegedly submitted for redemption by one fictitious grocery store which ostensibly operated in the Milwaukee area and the some $11,000 in redemption checks were mailed to the bogus store.

FALSE BILLING IS MAIL FRAUD

American businesses are cheated out of millions of dollars annually by swindlers who use the mails to send false bills for goods and services not received.

While there are many variations of this scheme, the majority of them fall into three categories:

- Solicitation of contributions for nonexistent minority causes or organizations (Minority Solicitations).
- Solicitation of payments on previously mailed bills for nonexistent or useless "business directories."
- Enforcement of payments for previously mailed invoices for office supplies or services that were never ordered by the company and never supplied.

What all these schemes have in common is that companies will receive a professionally printed invoice which appears to be a legitimate bill for goods and services normally purchased by the firm.

The majority of these false billing operations are based in California. The promoters of these schemes are sophisticated, cost-conscious businessmen, so their location in California has not happened by chance. Since telephone rates are cheaper before 8:00 a.m. on weekdays, the false billers can realize substantial savings by beginning their day at 5:00 a.m., placing the first of thousands of daily telephone calls to the Eastern Time Zone, and work their way westward with the rising sun.

In setting up an operation, the promoter will rent space in a building, install a bank of telephones and contract with a mail receiving service to receive the actual payments from the false bills. The mail receiving agent is used to hiding the actual location of the operation and is sometimes located several hundred miles away. At least weekly, the payments are picked up by a runner for the operation, or the mail receiving agent is instructed to send the payments to another mail drop address; a strategem which serves to further disguise the location of the phony operation.

Initially, these con-artists telephone the unsuspecting businesses to sell advertising space, or goods and services. The telephone solicitor operates from a script and depending on the victim, uses soft or hard sell techniques, phony ethnic accents, and plays on sympathies, social concerns and threats to credit ratings of legitimate minority organizations.

While the Postal Inspection Service has arrested many false billing operators, the business is a very lucrative one, and many others stand ready to take their place.

Despite an increased awareness within the business community of the tactics employed by false billing promoters, a portion of these invoices continues to frustrate and defeat the accounting safeguards of victimized firms.

These schemes can be prevented if businesses are alert and follow a few simple rules:

- Don't pay for a listing in an unfamiliar directory.
- Don't pay if a caller solicits placement of an advertisement in an unknown publication and refuses to give information that can be verified.

If a firm becomes aware or is a victim of one of these schemes, it should contact the nearest Postal Inspector in Charge or refer the information through the local postmaster.

CIVIL ADMINISTRATIVE ORDERS

Satisfactory evidence has been presented to the Postal Service that the following companies and/or their agents and representatives are engaged in the conduct of a scheme or device for obtaining money or property through the mails by means of false representation in violation of 39 U.S. Code 3005 (formerly U.S.C. 4005). Therefore, the Postal Service Judicial Officer has issued an order to the appropriate postmasters directing the return to senders all mail related to the scheme or device (except refund requests) and forbidding the payment of any Postal Money Order relating to the scheme or device. All mail which is returned to senders is marked "Return to Sender; Order Issued against Addressee for Violation of False Representation Law."

1. COMMERCIAL MAILERS OF NORTH AMERICA
AND
INTERNATIONAL SUCCESS DEVELOPMENT CORPORATION
1954 Hilltop Court
P.O. Box 464
Woodstock, IL 60098
With Respect To Work At Home Plan—Envelope Stuffing

2. EPE ENTREPRENEURS
P.O. Box 47412
Phoenix, AZ 85068
With Respect To Distributorships

3. FEDERAL MINT CORPORATION
Hollywood, FL 33019
With Respect To Merchandise Misrepresentation—Statue Of Liberty Sets

4. HOUSE OF HISTORY
P. O. Box 30623
Los Angeles, CA 90030
With Respect to Merchandise Misrepresentation—Space Shuttle Fragments

5. IHS DEPARTMENT OF UNCLAIMED FUNDS
287 State Street
Canton, OH 44767
With Respect To Merchandise Misrepresentation—Information

6. MCMANUS ENTERPRISES
P.O. Box 1458
Springfield, OR 97477
With Respect To Work At Home Plan—Envelope Stuffing

7. MILLIONAIRE CLUB INTERNATIONAL
15652 83rd Avenue E
Puyallup, WA 98373
With Repsect To Distributorship—Memberships

CONSENT AGREEMENTS

The mail order activities of the businesses listed below received attention with respect to alleged violations of Title 39, U.S. Code, Section 3005, False Representation Statute, based on representations made in their advertisements. The firms agreed to the following:

A. Without admitting the falsity of their advertisements they agreed that the alleged false representations may be reasonably construed by a normal reading of the advertisement.
B. That the use of this promotional material has been permanently discontinued and will not be resumed directly or indirectly under any other name, address, corporation or other device.
C. That advertisements making representations similar to the representations alleged will never again be used in the sale of the same or similar product.

1. PAUL ACHZYNSKI
3801 Klonway Court
Louisville, KY 40220
Subject: Work At Home Plan—Envelope Stuffing

2. R RALPH BRESLER
1003 Wellington Road
Jenkintown, PA
Subject: Distributorship—Sale Of Reports

3. LARRY BUCK
2015 N. Michigan Street
Toledo, OH 43611
Subject: Distributorships—Reports

4. TOM BURKEN
Highway 66 South
Claremore, OK 74017
Subject: Solicitations—Quick Wealth Program

5. R LEE CROSS
North Third Avenue
Paden City, WV 26159
Subject: Distributorship

6. KENNETH DAVIS
29933 Spring Arbor
Inkster, MI 48141
Subject: Lottery

7. KEN ELLIOTT
P.O. Box 130
Iowa Falls, IA 50126
Subject: Work At Home
Plan—Multi-level Pyramid

8. ERV FITTERER
P.O. Box 1777
Fargo, ND 58107
Subject: Misrepresentation Of
Merchandise—Advertising
Stamps

9. FRANK J. FONTANA, JR.
3805 W. Wrightwood Avenue
Chicago, IL 60647
Subject: Work At Home
Plan—Envelope Stuffing

10. PAUL GARBER
1300 S Mount Joy Street
P. O. Box 369
Elizabethtown, PA 17022
Subject: Distributorship—Sale Of Reports

11. GERALDINE GIBSON
P. O. Box 57
Gower, MO 64454
Subject: Merchandise
Misrepresentation

12. WILLIAM JENKINS
1544 Craig Drive
North Huntington, PA 15642
Subject: Distributorship

13. SHIRLEY M. JOHNSON
4931 E. 46th N.
Wichita, KS 67220
Subject: Merchandise
Misrepresentation—Advertising
Stamps

14. ALBERT R. JONES
P. O. Box 306
E. High Street #4
Jefferson City, MO 65101
Subject: Merchandise
Misrepresentation

15. JOSEPH KOSAK
1013 Gates Place
Warminster, PA 18974
Subject: Merchandise
Misrepresentation—Advertising
Stamps

16. R. E. PROCTOR
815 N. Church Street
Rocky Mount, NC 27804
Subject: Distributorship—Sale Of Reports

17. HERMAN ROTH
202 Pickrelltown Road
West Liberty, OH 43357
Subject:
Distributorships—Circulars

18. BILL SEMON
73 Vermont Lane
Levittown, PA
Subject: Misrepresentation
Of Merchandise— Advertising Stamps

19. LARRY V. WEATHERS
1077-B Highway 17 Bypass
Mt. Pleasant, SC 29464
Subject: Misrepresentation
Of Merchandise— Advertising Stamps

20. RONALD WILSON
2612 Central Drive
Florsmoor, IL 60422
Subject: Merchandise
Misrepresentation

21. JEAN K. WIMMER
AND
DEPARTMENT M
706 Neveada SW
Huron, SD 57350
Subject: Work At Home Plan

22. AGNES MORO, INC.
2630 Hope Street
P. O. Box 3403
St. Louis, MO 63143
Subject: Work At Home
Plan—Envelope Stuffing

23. AJF
Route 2
P. O. Box 42
Lime Springs, IA 52155
Subject: Merchandise
Misrepresentation

24. AMERICAN PHARMACAL SALES, INC.
49 S. Main Street
Spring Valley, NY 10977
Subject: Medical—Pills

25. ANTHONY E. RAY
1412 Dantzler Drive
Cincinnati, OH 45215
Subject: Merchandise
Misrepresentation

26. APPLE ENTERPRISES
3205 E. Broadway
Pearland, TX 77581
Subject: Work At Home
Plan—Envelope Stuffing

27. ARTIST PROMOTION BUREAU
AND
CAREERS NTW SERVICE
6561 Liberty Bell Drive
Brookpark, OH 44142
Subject: Advance Fee

28. AUTOMANIA DISTRIBUTORS
66 Broadway
O. O. Box 133
Saugus, MA 01906
Subject: Failure To Furnish
Merchandise—Sales Catalogs

29. B & R COMMUNICATIONS
P. O. Box 277649
Chicago, IL 60637
Subject: Work At Home
Plan—Envelope Stuffing

30. BIGGSBAG
3414 Northeast 56
P.O. Box 13344
Portland, OR 97213
Subject: Merchandise
Misrepresentation—Carriers
Satchel

31. BILL MAYNARD
P. O. Box 321
Magnolia, AR 71753
Subject: Work At Home
Plan—Envelope Stuffing

32. BOB WATSON
P. O. Box 831
Metairie, LA 70004
Subject: Medical—Arthritis
Remedy

33. CLAY ENTERPRISES
1537 215th Street
Dyer, IN 28802
Subject: Loans

34. COLLINS COMPANY
29 Villejo Street
Charleston, SC 29408
Subject: Distributorshops

35. COMMUNICATIONS LEASING
P. O. Box 96738
Oklahoma, OK 73143
Subject: False
Billings—Invoices

36. CONSTANCE D. GRANT
5321 Woodland Avenue
Western Springs, IL 60558
Subject: Merchandise
Misrepresentation—Money
Making Plans

37. CSR ASSOCIATES
P. O. Box 3328
San Dimas, CA 91773
Subject: Work At Home Plan—Envelope Stuffing

38. D C B
885 Sanders Road
Northbrook, IL 60662
Subject: Work At Home Plan—Envelope Stuffing

39. D J COPPINS
P. O. Box 5027
St. Augustine, FL 32085
Subject: Work At Home Plan—Envelope Stuffing

40. D&V ASSOCIATES
P. O. Box 40426
Overland Park, KS 66204
Subject: Merchandise Misrepresentation—Envelope Stuffing

41. DAVIS ENTERPRISES
P. O. Box 1091
Montcello, MN 55632
Subject: Merchandise Misrepresentation—Advertising Stamps

42. DEBBIE
P. O. Box 11
Riverton, IL 62561
Subject: Work At Home Plan—Envelope Stuffing

43. DENNIS MAGYOROSI
2404 Amigo Court
Virginia Beach, VA 23456
Subject: Lottery

44. DIMENSIONS USA
2716 Page Avenue
Jackson, MI 49203
Subject: Merchandise Misrepresentation

45. DIXIE CONNECTION
P. O. Box 2340
Sylacauga, AL 35150
Subject: Merchandise Misrepresentation

46. EASTCRAFT SPECIALTY PRODUCTS
P. O. Box 25
Irwin, PA 15642
Subject: Failure To Provide Merchandise—Model Engines

47. EXTRA INCOME UNLIMITED
P. O. Box 5197
Klamath Fall, OR 97601
Subject: Work At Home Plan—Envelope Stuffing

48. G & W PHARMACEUTICALS, INC.
1744 W. Devon 121
Chicago, IL 60646
Subject: Medical—Sexual—"Red Devil" Tablets

49. GEORGE CATES
280 East Circle
Bristol, PA 19007
Subject: Failure To Pay For Merchandise

50. GEORGE DELONG
280 East Circle
Bristol, PA 19007
Subject: Distributorships

51. GEORGE HARGOVE
6066 Reinhard Street
Philadelphia, PA 19142
Subject: Failure To Furnish Merchandise—Movie & Railroad Memorabilia

52. GHOSTBUSTERS INT'L FAN CLUB
3245 Beechwood Blvd.
Pittsburgh, PA 15217
Subject: Failure To Render Merchandise—Movie Memorabilia

53. GLOBAL BAM SALES CATALOGUE CORPORATION
120-03 Rockaway Boulevard
P. O. Box 410
S. Ozone Pk., NY 11420
Subject: Medical—Sex Product "RNA Plus" Pills And Reducing—"Fat Burner Girdle"

54. H. FIRST
P.O. Box 144
Highwood, IL 60040
Subject: Work At Home Plan

55. HANGER COMPANY
607 Winthrop Street
P. O. Box 3034
Staunton, VA 24401
Subject Work at Home Plan—Circulars

56. HAROLD PFLUEGER
409 A Route 1
Saxonburg, PA 16056
Subject: Distributorships—Reports

57. HOLLIDAY ASSOCIATES
4350 Brookside Court 315
Minneapolis, MN 55436
Subject: Misrepresentation Of Merchandise— Advertising Stamps

58. IDA GORI
1206 thomas Street
Monongahela, PA 15063
Subject: Coupon Refunds/Rebate

59. J. E. ENTERPRISES
801 W. Jefferson
Sullivan, IL 61951
Subject: Work At Home Plan—Envelope Stuffing

60. JACKSON UNLIMITED
P. O. Box 5032
Evanston, IL 60204
Work At Home Plan—Money Making Kit

61. JASCO CORPORATION
P. O. Box 16711
Philadelphia, PA 19139
Subject: Distributorship

62. JFK ASSOCIATES
22 Forest Lane
P.O. Box 567
Elk Grove Village, IL 60007
Subject: Work At Home Plan—Envelope Stuffing

63. JOHN CHELSON
7 Shadowlawn Drive
Livingston, NJ 07039
Subject: Merchandise Misrepresentation

64. KEITH SORENSON
P. O. Box 6413
Madison, WI 53716
Subject: Merchandise Misrepresentation

65. KENI
P. O. Box 584
Goshen, NY 10924
Subject: Work At Home Plan—Money Making Kit

66. KENNETH CULVER
1209 River Road
Wilmington, DE 19809
Subject: Work At Home Plan

67. L P ANALYSTS
P.O. Box 603
Hinsdale, IL 60522
Subject: Working At Home Plan—Envelope Stuffing

69. LIBERTY EXPRESS
P. O. Box 5183
Kingwood, TX 77325
Subject: Work At Home Plan—Envelope Stuffing

70. LIVING REPORT
P. O. Box 511
Severn, MD 21144
Subject: Distributorship

71. LORRAINE STRAW
3001 Derry road
Philadelphia, PA 19154
Subject: Annoyance Orders For Merchandise With No Intention To Pay

72. M C G CREATIVE CONCEPTS
P. O. Box 308
W. Frankfort, IL 62896
Subject: Merchandise Misrepresentation—Ad Stamps

73. M. P. MAILING HOUSE
1744 E. Minnehaha Avenue
P. O. Box 6739
St. Paul, MN 55106
Subject: Work At Home Plan—Stuffing Envelopes

74. MAIL TECH
P. O. Box 901
Grapevine, TX 76051
Subject: Work At Home Plan—Envelope Stuffing

75. MANDY JOHNSON
811 N Bridge Street
Elkin, NC 28621
Subject: Distributorships

76. MARKETING LOGISTICS, INC.
P. O. Box 603
Haslett, MI 48840
Subject: Work At Home Plan—Envelope Stuffing

77. MARKS ELAN VITAL, INC.
3418 Enterprise Road
Ft. Pierce, FL 33482
Subject: Work At Home Plan—Assembly Work

78. MAY ENTERPRISES
4513 Ashburner Cort
Philadelphia, PA 19136
Subject: Work At Home Plan—Envelope Stuffing

79. MID-ATLANTIC PUBLISHING
4407 Anntana Avenue
Baltimore, MD 21206
Subject: Lottery—Recipes And Reports

80. MIKE PUSKARICH
40580 Cadiz Piedmont Road
Cadiz, OH 43907
Subject: Distributorships

81. MILLIONAIRE CLUB INTERNATIONAL
P. O. Box 25551
Tempe, AZ 85202
Subject: Distributorship—Memberships

82. MILLIONAIRE CLUB INTERNATIONAL
7305 S. Yakima Avenue
Tacoma, WA 98408
Subject: Merchandise Misrepresentation

83. MILLIONAIRE CLUB INTERNATIONAL
15652 83rd Avenue E
Puyallup, WA 98373
Subject: Distributorship—Memberships

84. MISSING CHILDREN OF AMERICA
5636 F Franklin Avnue
Waco, TX 76710
Subject: COD Parcels—Purchase Of Merchandise

85. MODERN MONEY METHOD
3115 North Hancock
Colorado Springs, CO 80907
Subject: Personal Loan Program

86. MONEY OPPORTUNITIES
P.O. Box 684
Frisco, CO 80443
Subject: Work At Home Plan—Envelope Stuffing

87. MR INSTANT
P. O. Box 09205
Bexley, OH 43209
Subject: Lottery—Bingo Cards

88. MR. BOLD COMPANY
AND
KING MR. BOLD COMPANY
P. O. Box 233
Mantua, NJ 08051
Subject: Medical—Breech Sex Stimulant

89. MYSTERY MAN PRODUCTS
P. O. Box 20789
St. Petersburg, FL 33742
Subject: Merchandise Misrepresentation—Concert Passes

90. NATIONAL MAILCO
1120 Monterrey
Beaumont, TX 77706
Subject: Work At Home Plan—Envelope Stuffing

91. NEWPORT LTD.
P.O. Box 201
St. Joseph, MO 64506
Subject: Work At Home Plan—envelope Stuffing

92. NO NINTY-FIVERS
P. O. Box 272
Grand Junction, CO 81502
Subject: Work At Home Plan—Money Plan

93. NUTRITION WAREHOUSE
258 E Jericho Turnpike
Mineola, NY 11501
Subject: Medical— "Complex", "Green Lippett Mussell Extract", "L-Arginine Ornithine", "Trim Down" Tablets

94. PAF ENTERPRISES
560 Spengler #L
Richland, WA 99352
Subject: Memberships—Multi-level Program

95. PEARL THURLOW
R. R. 1
P. O. Box 132
Wakefield, KS 67047
Subject: Merchandise Misrepresentation—Advertising Stamps

96. PHILANTHROPY
P. O. Box 2985
Warminster, PA 18974
Subject: Distributorships

97. PIONEER PUBLISHING CORPORATION
P. O. Box 27098
Indianapolis, IN 46227
Subject: Lottery

98. PRESTIGE III
10261 Robin Hood Circle
Villa Park, CA 92667
Subject: Lottery—Memberships

99. PRESTIGE III
560 Spengler, #L
Richland, WA 99352
Subject: Lottery—Memberships

100. PROFESSIONAL SERVICES
P. O. Box 1524
Oneco, FL 34264
Subject: Loans

101. R & C ASSOCIATES
P. O. Box 7
Knob Noster, MO 65336
Subject: Work At Home Plan—Envelope Stuffing

102. R & J ENTERPRISES
4810 S. 143 Rd. Street
Omaha, NE 68137
Subject: Misrepresentation Of Merchandise— Advertising Stamps

103. R & L WEALTHBUSTERS
P. O. Box 128
Circle Pines, MN 55014
Subject: Merchandise Misrepersentation—Advertising Stamps

104. R. E. J. COMPANY
P. O Box 816
Chanute, KS 66720
Subject: Work At Home—Envelope Stuffing

105. RAL ENTERPRISES
5106 Bisbon Drive
Lincoln, NE 68516
Subject: Work At Home Plan

106. RAPCORE CORPORATION
P. O. Box 5359
New York, NY 10163
Subject: Merchandise Misrepresentation—Video Tapes

107. RAPID CITY AREA CHAMBER OF COMMERCE
P. O. Box 747
Rapid City, SD 57709
Subject: Lottery—Vehicle

108. REKO COMPANY
P. O. Box 534
Pt. Washington, WI 53074
Subject: Merchandise Misrepresentation—Envelope Stuffing

109. RELIABLE METRO J E BALL
P.O. Box 3415
Greenville, SC 29602
Subject: Work At Home Plan

110. RICH B ENTERPRISES
P. O. Box 1219
Delaware, OH 43015
Subject: Work At Home Plan—envelope Stuffing

111. RICH MAN ENTERPRISE
P. O. Box 1386
Garden Grove, CA 92642
Subject: Memberships

112. S. GREEN ENTERPRISES
P.O. Box 4542
Northbrook, IL 60065
Subject: Work At Home Plan—Envelope Stuffing

113. SHARYL HERDMAN
1801 Sixth Street
Portsmouth, OH 45662
Subject: Distributorships

114. SMP
AND
OSCAR N N'TUBA
P. O. Box 5370
Hopkins, MN 55343
Subject: Work At Home Plan—Envelope Stuffing

115. SON SALON, INC.
1744 W. Devon
Chicago, IL 60660
Subject: Medical—"Sleep & Reduce" & "Memo-Rex" & "LaFemme" & "Canthaxathin" (cosmetic)

116. STATGAM
5668 Chargrin Deive
Mentor, OH 44070
Subject: Distributorship—Literature

117. STEVE SNELL
2121 R Ryans Way
Somerset, KY 42501
Subject: Distributorships

118. STONEBROOK
20 Stonebrook Drive
Route 1
Iron Station, NC 28080
Subject: Distributorships—Recipes

119. STS
P. O. Box 371084
Omaha, NE 68137
Subject: False Billings—Invoices

120. T M DISTRIBUTORS
P. O. Box 31
Cascade, WS 53011
Subject: Work At Home Plan—Envelope Stuffing

121. TAB LIMITED
P. O. Box 6094
St. Charles, MO 63302
Subject: Work At Home Plan—Envelope Stuffing

122. THE CIRCLE OF PRESTIGE
12975 Reservation
Salinas, CA 93908
Subject: Lottery—Memberships

123. THE DIRECT CONNECTION
37 West 27th Street
New York, NY 10010
Subject: Merchandise Misrepresentation—Cameras

124. TOM LA BISSONIERE
1036 Laurel Court
Wauwatosa, WI 53213
Subject: Merchandise Misrepresentation

125. TRADERS UNLIMITED, INC.
1510 West 15th
P. O. Box 15285
Amarillo, TX 79105
Subject: Memberships—Multi-Leverl Program

126. UP INTERNATIONAL ADVERTISING
555-110 S. Palm Canyon
Palm Springs, CA 92264
Subject: Work At Home Plan—Envelope Stuffing

127. VALLEY DISTRIBUTING COMPANY
P. O. Box 111
Florence, SC 29503
Subject: Lottery

128. WANONA ASSOCIATES
AND
WALDO/NONA HOOTS
Route 1
P. O. Box 112
Union Grove, NC 28689
Subject: Lottery

129. WILDCAT ENTERPRISES
331 Freemont
P. O. Box 824
Manhattan, KS 66502
Subject: Work At Home Plan—Envelope Stuffing

130. WINNERS TICKET TRADING CLUB
Meridian S #136
Puyallup, WA 98371
Subject: Distributorship

For assistance with postal-related problems of a law enforcement nature, please contact the closest Inspection Service Headquarters.

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Baltimore, MD 21203-1856

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Birmingham, AL 35202-2767

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Boston, MA 02205-2217

Postal Inspector in Charge
685 Ellicott Square
Buffalo, NY 14203-2545

Postal Inspector in Charge
General Mail Facility
2901 I-85 South
Charlotte, NC 28228-3000

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433 W. Van Buren St., MPO
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Houston, TX 77251-1276

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Pasadena, CA 91102-2000

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